

MANAGEMENT

(E-LEARNING COURSE MATERIAL)

Zsuzsanna Nagy – Gábor Józsa – Roland Kis-Tóth

SZÉCHENYI 



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BEFEKTETÉS A JÖVŐBE

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Líceum Kiadó
Eger, 2015

Edited by:
Roland Kis-Tóth

Series editor
Lajos Kis-Tóth PhD, Professor

Reader
Gábor Papanek PhD., Professor

Authors
Zsuzsanna Nagy
Gábor Józsa
Roland Kis-Tóth

ISBN 978-615-5509-57-5

MODULE 1:

**ORGANISATION THEORIES AND THEIR MOST
IMPORTANT REPRESENTATIVES**

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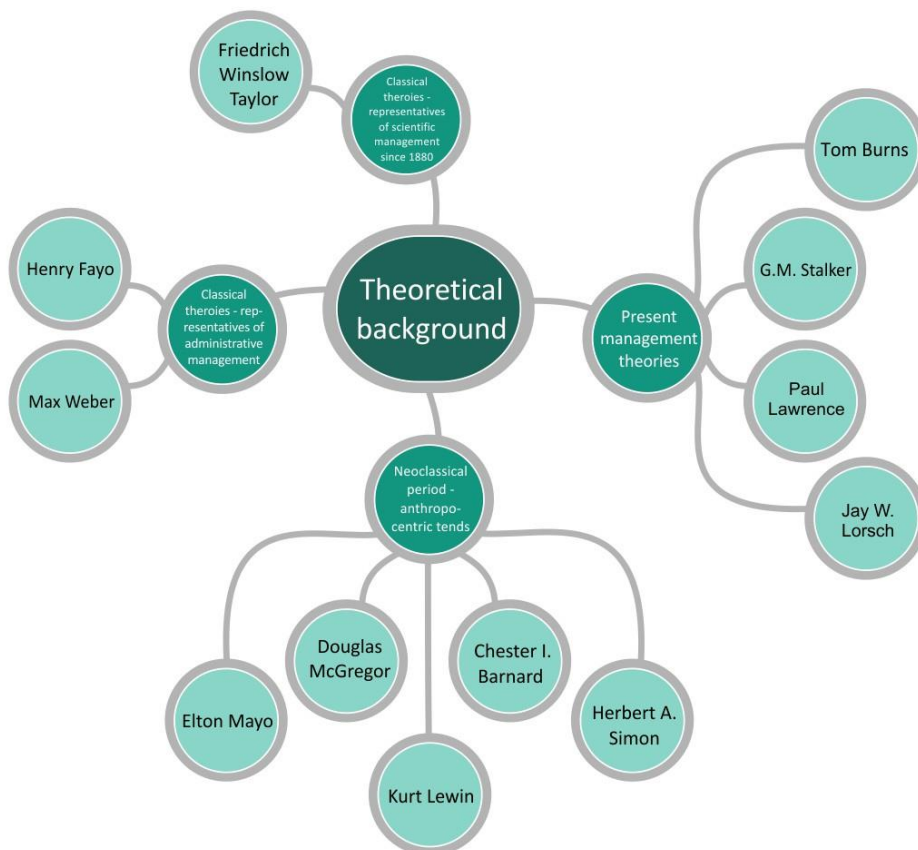
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1. CHAPTER 1: THEORETICAL BACKGROUND

The first chapter of Module 1 will present the development of organisation theories in chronological order. The aim is that students become familiar with the most important representatives of the management doctrines, understand the principles and methods used in a certain period of the past, and also that students could apply in practice the theory they have learnt.



1. Figure

1.1 THE INDUSTRIAL REVOLUTION, THE 19TH CENTURY

The theoretical background of management sciences took shape relatively late, only in the 19th century. Organisational problems had long

existed (the Egyptian and the Roman empires) and theoretical works had been written as early as that time. Handling management and organisational problems has become more and more conscious in the second half of the century. The main area of the organisation in both cases was production.

Substantial differences could be seen in the North American and the German development. The birth of the railway played an important role in the appearance of clear differences.

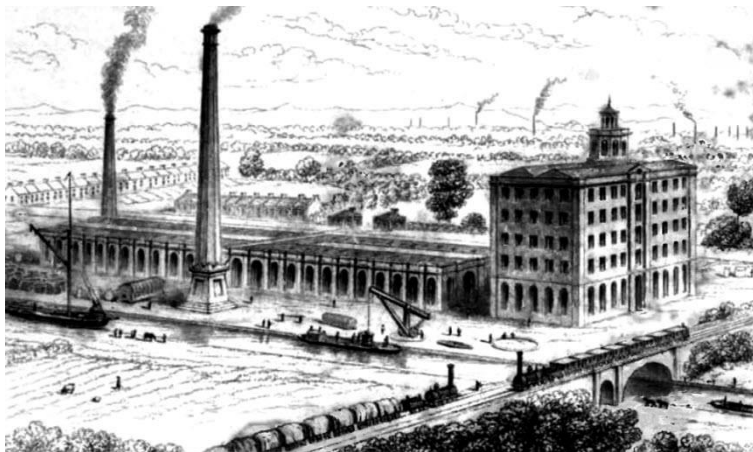
Outcomes of the development of the railway network:

- New management methods and principles were born
- The center was distinguished from the specific territorial units
- The separation of the ownership and management functions

In the European countries which were undergoing industrialisation (Germany, for instance) these phenomena affected little the management and organisational principles. Here, the following factors played the major roles:

- Industrial companies adopted the methods of the state bureaucracy
- Hierarchical or vertical type co-ordination issues were dealt with (the centralised enterprise became an ideal)
- Ownership and management functions did not become separated for a long time

(Miklós Dobák: **Szervezeti** formák és vezetés, 2004)



2. Figure

1.2 THE CLASSICAL THEORY, REPRESENTATIVES OF THE SCIENTIFIC MANAGEMENT – FROM 1880

The management studies owe their scientific approach to Friedrich Winslow Taylor (1856-1915) who provided them a framework at the beginning of the 20th century. His main work entitled *The principles of scientific management* was published in 1911.



3. Figure: Friedrich Winslow Taylor

He formulated rules based on fieldwork experience; moreover, he developed the organisation optimisation method. The results of his efforts are known and acknowledged even today. The first stage of his work was to establish that blue-collar work and white-collar work should be distinguished, since they can be measured and assessed on the basis of entirely different parameters. He carried out a thorough investigation of the manual labourers' work; he broke down their activities until the examination of their movements. He rationalised each work process and their sequence. Thanks to all this he has earned the reputation of being the father of work organisation. However, his activity and research are restricted to the mass production period before World War I. The other range of ideas in Taylor's works is related to the termination of conflicts between workers and management. Several theories of conduct were based on his propositions.

(Lukács Edit: *A Vállalatelméletek meghatározó csoportja - A magatartási elméletek, Gazdaságtudományi közlemények, Vol. 4, N^o.1, 2005*)

The optimal shovel load issue

At the Bethlehem Steel Company, Taylor started to study the workflow of shoveling. There were 400 to 600 men to work for the company whom he organised into teams of 50 to 60 people working under the supervision of a foreman. Taylor noticed that each laborer had his own shovel, and they shovelled all kinds of raw material with the same shovel. Taylor studied in his experiments the ideal weight which could be loaded from the material to be shovelled, as well as the daily performance which could be achieved by increasing these weights. As a result of the investigation the workers were no longer allowed to use the same shovel for all the material to be moved. Taylor made some calculations to establish that the ideal performance could be achieved by 21.5 pounds a shovel (10 kg). Depending on the material he had 8 to 10 different types of paddles made for the workers, who had to draw the appropriate tool for the job issued for the day every morning from a store-house newly designed for the purpose. Beside the tool store-house it has become necessary to create a job dispatcher office, where the workers received their daily tasks. Taylor concluded from the experiment that to improve industrial efficiency it was necessary to rationalise workflows and it was essential to define and standardise all tools and movements. Additionally, job trainers, a work preparatory/organiser department and a job dispatcher office were needed. Taylor's principles have become famous worldwide due to the Eastern Rate Case. In the dispute about the increase of railway fares Taylor's disciples were listened to at the court hearings as experts. With reference to Taylor's Scientific Management Principles it has been claimed that the railroad companies not only did not need to increase the fares, they could save 300 million dollars if the Scientific Management Principles were introduced. Taylor became a national hero after the court proceedings. He dedicated his book published in 1911 to the improvement of the efficiency of production processes.

(Szabolcs Imreh - Zsófia Kürtösi - Zoltán Majó - Márton Vilmányi: Management I. 55/2008 SZIE GTK Distance Learning)

Applying systematically the knowledge of other disciplines in the fields of

1. Work organisation
2. Production organisation and management
3. Production rationalisation
4. Organisational separation of the functions

5. Time studies
6. Wage and incentive system development

Taylor worked out and introduced solutions which were supported by the theory and could be applied immediately in the practice of industrial environment. Essentially, he wanted to base the organisation and the control of manual labour on sound science. His main principles:

1. White-collar work and blue-collar work are to be separated. A manual worker should be only the executor of the prescribed tasks. The worker is not more than an accessory to the machine, a device in the execution.
2. The workmen for a particular task shall be selected according to their suitability for the job and they should be trained for the most rational work. Rational work shall be prescribed on the basis of physiological experiments, analyses, taking the human fatigue into consideration.
3. It is necessary to set the performance individually; the workers' wages are to be differentiated on the basis of their performance. All teamwork is to be cancelled, as the workers are much less effective as members of a group than as individuals whose ambitions are fed and encouraged.
4. Uniformisation and standardisation are important. Tools, devices and job requirements are to be standardised. The production should be technically designed, and this shall be in writing. This is the way how the technology and the scope of the technologist's responsibility are created.
5. Neither the workers' nor the foremen's skills and experience are not sufficient to carry out the tasks of the preparation, coordination and the control of the production on the required scientific level. It is necessary to set up job dispatcher offices, in which the following functional managers work: programmer, technologist, work standards manager, and the manager in charge of disciplinary issues.

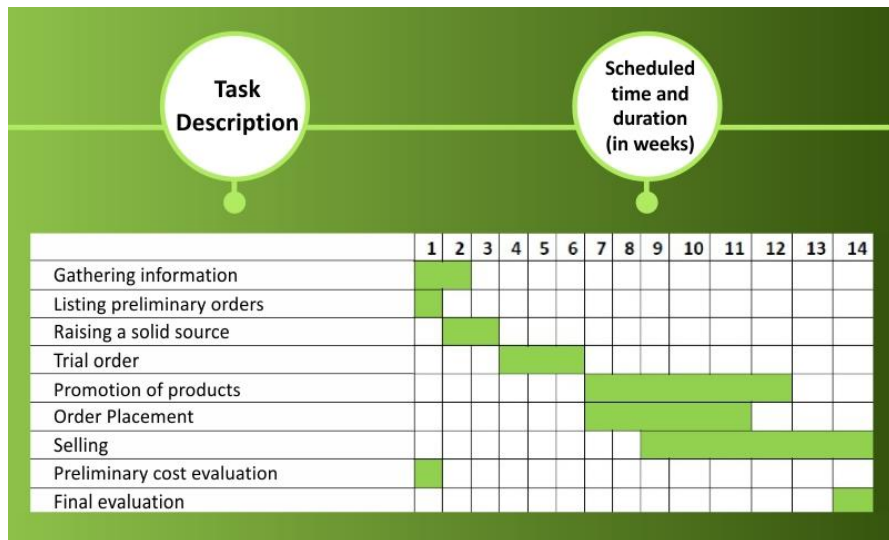
(Dr. Irén Gyökér: Management alapjai, Training support material 2009)

Of course, Taylor came under strong criticism. Lenin also studied his method and was of the opinion that although Taylor was indeed successful in improving productivity, the increase of workers' wages did

not follow this rate. The rationalisation has led to the discharge of many workmen, and there were others who objected to the introduction of Taylor's principles. Robert F. Hoxie, American economist, teacher at the University of Chicago, one of Taylor's contemporaries stated that Taylor had ignored the workers' character, rights and welfare, and had considered them to be a device, he had reduced them to semi-automatic tools of machines.

Beside the critics of taylorism, a great number of followers appeared whom had been greatly affected by hisTaylor's work. One of his colleagues was Henry Gantt, who developed the Gantt chart, which shows the relationship between the planned work and the time necessary to complete each step.

This technical representation is used in the presentations of managers up to the present time.



4. Figure Sample for a Gantt chart

The application of Taylor's doctrines was by to Henry Ford, who was the father of the assembly line technique of mass production.



5. *Figure: Henry Ford*

Henry Ford was a pioneer to apply several basic principles. He was the first to integrate the entire production process, what he called 'progressive assembly'. After World War II the Toyota Motor Company adapted Ford's production principles so that they could offset the poor human, financial and material resources.

Ford standardised the particular parts of greater assembly units, and created a new acquisition and work organisation system. In his factories he introduced the profit sharing with his employees, which increased the productivity and the interest in improving quality. He was a prolific inventor holding 161 patents in his name. He introduced the eight-hour working day in 1920. The secret of his success laid in his method of mass production and in high wages. He seemed to have deep affection for his employees, he applied his principles continuously and consistently. He paid the highest possible wages, he was a real reformer in that field. Another reformed feature of his method was the fact that he employed the candidates without a job interview or reference. In fact, he organised his everyday life on the basis of capitalism, but he reformed its

ideas as he was convinced that the competition may be reasonable and moral.

(<http://www.hir24.hu/ido gep/2010/09/24/ford-bevezeti-a-8-oras-munkaidot-1920/>)

1.2.1 The Classics – representatives of the administrative management

In 1888 Henry Fayol (1841-1925), a French mining engineer, became head of a mining-metallurgical holding company which was in a crucial situation at that time. Upon his retirement in 1918, he left behind a thriving company.



6. Figure: Henry Fayol

Although Fayol graduated as an engineer, he quickly realised that beside his engineering studies a number of other skills were needed to be able to make his company successful. A chief executive must be able to draw up plans, must organize the work in the factory, must be able to deal with people and must procure machines and equipment. Fayol drew the conclusion that management tasks might be grouped in six fields, which are as follows:

1. Technical tasks – production/manufacturing
2. Commercial tasks – purchase, sale, exchange
3. Financial tasks – finding and using the capital

4. Safety tasks – protection of property and people
5. Accounting tasks – inventory, financial balance sheet, the budget, statistics
6. Management tasks – planning, organisation, instructions, coordination, control

(Arthur G. Bedian: *Management* 1993)

Fayol says that these groups of tasks can be detected at all the companies regardless to their size, and while the first five are well known, the sixth – the management knowledge – is not really implemented. In his opinion, however, results are to be obtained in all the six areas for a well functioning company. He found that the scope of manager training was too narrow, and that the emphasis was put particularly on the technical side, so the managers had very little management knowledge. Fayol was the first to comprehend the management tasks as a complex process.

His work, *Industrial and General Management* (Administration industrielle et générale), was published in Paris in 1916. To give a detailed presentation of the management processes, Fayol, based on his first-hand experience, created 14 principles, which he considered to be the most important ones. He immediately added that these 14 principles were not 'engraved in stone', since different management situations might require different management principles.

(Szabolcs Imreh – Zsófia Kürtösi – Zoltán Majó – Márton Vilmányi: *Management I.* 55/2008 SZIE GTK Distance Learning)

Fayol's 14 Principles of Management:

1. Division of Work – the work must be divided in order to allow specialisation
2. Authority and Responsibility – the authority must be equal with the responsibility going with it
3. Discipline – discipline is essential for the development of obedience, diligence, vigour and respect
4. Unity of Command – an employee should report to only one senior
5. Unity of Direction – all tasks carried out in order to ensure one objective should proceed with the leadership of one manager and according to one plan
6. Subordination of Individual Interests to General Interest – the individual's or the group's interests should never be superior to those of the company as a unity
7. Remuneration – remuneration received for work must be fair

8. Centralisation – the rate of centralisation and decentralisation in regard of a company is the matter of the ratios

9. Scalar chain – the clear chain of command must be observed from the highest to the lowest point of the company

10. Order – everything must have a place and all must be in place

11. Equity – employees must be dealt with in a kind and fair way

12. Stability of Tenure of Personnel – labor migration should be reduced to the minimum in order to ensure the successful achievement of the objectives

13. Initiative – employees should be given the freedom to draw up plans and to implement them in order to develop their full potential

14. Esprit de corps (corporate spirit) – harmony and force build up a strong company

(Arthur G. Bedian: Management 1993.)

Max Weber (1864-1920) was an outstanding figure of German social sciences.



7. Figure: Max Weber

He was a versatile scientist who developed influential thoughts in philosophy, politics, Law, psychology and theory of religion. In the field of

management science Weber's conception of organisation is of paramount importance. Most of his examinations were carried out in relation with the administrative conditions of the centralised Prussian government, but in some cases he also dealt with the internal structural features of the emerging capitalist mass production. In his view, the bureaucratic organisation appears in different areas of social life and makes its effects as a real organisational force. He says that the omnipresent bureaucracy is the best possible organisational form. This interpretation is radically different from the pejorative reading of bureaucracy. That is the bureaucratic organisation provides the best opportunity for the rational and creative work. Bureaucracy has the potential to outdo the stability, discipline and reliability of all other organisational formations. Without bureaucratic organisations mass administration cannot be dealt with, while with their help precise and rapid administration can be ensured at low costs, that is in an economic way.

The 'ideal organisation' considered to be rational by Weber is characterised by the following criteria:

- Work division, clearly defined job roles: the most comprehensively elaborated specialisation shall determine the tasks and obligations of the members of the organisation. Tasks and obligations shall be recorded generally and regardless of any individual.
- Regulation: the activities to be carried out in the organisation are based on various regulations, which contain exhaustive and learnable rules in regard of the scope of authority, the accomplishment of tasks and the chain of command.
- Hierarchy of authority: bureaucracy ensures the system of strictly fixed positions of superiority and inferiority, in which above all authority there are control and supervisory authorities, however all subordinates have the right to appeal and complain upwards at all levels.
- Standardised procedures, communication in writing: in the interest of the uniform accomplishment of tasks, members of the bureaucratic management body are in contact with each other by files and in compliance with sets of rules and instructions in writing.
- Expertise: members of the bureaucratic organisation are skilled clerks, who get in their position by appointment. The appointment - in accordance with the principle of competence - is based on the

required technical skills or the presentation of the diploma, apart from these other criteria shall not be eligible. The bureaucratic managing personnel shall perform its work by profession, i.e. exclusively, as a main occupation. Members shall be free, fulfill obligations only in term of office and receive a regular cash allowance. The promotion system based upon the consideration of seniority or performance or eventually of both, is intended to be used for the development of loyalty to the bureaucratic organisation and for the improvement of the 'corporate spirit'.

- Impersonality and objectivity: a member of the bureaucratic personnel excludes from his work personal emotions and partial considerations. His work is characterised by impersonality and objectivity.

(Arthur G. Bedian: Management 1993.)

Of course, the Weber bureaucracy is an approach, which contains only principles. The practical implementation of bureaucracy raises doubts in people to date. 'Bureaucratic' is not a very flattering adjective for a organisation.

Research has highlighted the disadvantages of bureaucracy, which can be summarised as follows:

- The rules and the control systems may become important for their own sake, so the organisation may become autotelic.
- A bureaucratic organisation adapts to the changing needs and the changing environment with difficulty and slowness, if at all.
- In a bureaucratic organisation the result of the standardised rules and the compliance with them is that the work performance shall also be governed, i.e. the minimum performance level will be determined. So it is possible that the individual performances are adapted to the minimum performance of staff, which could lead to a deterioration in performance.

1.3 NEO-CLASSICAL ERA – ANTHROPOCENTRIC TENDENCIES

Within this two tendencies developed:

- - The tendency of human relations
- - Behavioural science tendency

1.3.1 Neo-classic era – the tendency of human relations

The 'scientific management' theories which were spreading quickly and widely did not give explanation to all the problems of real life. Among the speedily variable terms and conditions of the development of manufacturing a number of new approaches have gained ground. Perhaps the most important of these is the one which placed the man acting in the organisations into the focus of the examinations: the Human Relations, that is the discipline of interactions between people.

- Representatives of the human relations approach drew particular attention for the role of the individuals in the success or the demise of the organisation.
- They accepted the principles the classic tendency but they proposed that the behavioural differences of individuals and the effects of the groups on individuals should be taken into account.
- They focused their attention on the social environment of work.
- The base of the tendency: the Hawthorne experiments, in which the importance of psychological and sociological factors at work has been established.

Their objections against the classical tendency:

- The reduction of the organisation to the formal organisational factors.
- The dominance of the rational, scientific approach.
- The underestimation of man's role.

Development of the discipline of human relations - the Hawthorne experiments

The development of the first management theory tendency putting man in the centre is attached to a series of scientific experiments. The experiments proceeded in the factory of ATT Western Electric Company in Hawthorne between 1927 and 1932. The experiments were conducted by Elton Mayo (1880-1949), a Harvard Business School researcher.

Parts of the tests:

- Workfield performance tests, examinations
- In-depth interviews,
- Analysis of group effects.



8. Figure: Elton Mayo

The Hawthorne experiments consisted of four phases:

Illumination tests:

In the experimental group worked under varied lighting, the control group worked under constant lighting. If they changed the illumination level for the experimental group in any direction, both groups' performance increased. The researchers' conclusion: the lighting has no or only minor impact on the performance.

The relay-assembly tests:

The effects of the changes of the working conditions on productivity were tested. For the isolated group, the changes of the working conditions (temperature, refreshments, etc.) had little impact on the productivity; the particular group incentives brought improvements in productivity.

Interviews with employees:

The workers' morale was surveyed, assuming that the human factor has greater influence on the productivity than the technical and physical characteristics of the work. It was found that the working group, as a whole, would determine the performance expectations towards the group member's, defining group standards for the volume of a 'fair day's work'.

Team Monitoring:

Observational experiments have been carried out with a team of workers who had to wire conductor banks for telephone substations. It was assumed that as a result of the group piecework payment incentive the maximum performance will be sought in the team. It was observed that the 'team standards' had not been influenced by the collective piecework payment method. It was also found that no relationship existed between performance and intelligence, or other personal features. It was stated that the security and the acceptance provided by the group have much more effect on the performance than the payment. A number of disapprovals were expressed in regard of the experiments, but they drew the attention to the importance of the human factors in the workplaces.

Conclusions of the multiannual research:

- A growing performance is generally not the subject-matter of changes in the working conditions but in the social relations, the motivation and the methods of the supervision.
- The work performance largely depends on the workers' emotional attitude.
- The informal inner structure and norm of workteams are of determining importance.
- It became obvious that in addition to rational working conditions and working organisation, the increase of the production has most serious human and social factors too.

Outcome of the tendency:

The enterprise organisation is both a social and a technical-economic system.

- Individuals may be motivated not only by economic incentives but also by varied social and psychological factors.
- The informal working group is an organisational factor.

- The managerial methods must be converted significantly by introducing psycho-social considerations. The democratic way of management suits better the Human Relations tendency than the autocratic way.
- Performance is closely linked to the workmen's satisfaction at work. The greater the satisfaction is, the greater will be the worker's performance.
- Operational channels of communication should be created between the different hierarchical levels of the organisation, and thereby the information flow should be improved. The participation shall assist the management of the organisation.
- Managers need both technical and social training.
- The organisational members can be incited to greater performance by enabling them to satisfy certain social-psychological needs.

(Dr. Root Irén: Management basics, training support 2009.)

Having analysed the results of the experiments Mayo concluded that beside the technical organisation, the 'social organisation' also had a great effect on the performance. The performance depends *inter alia* on the style of supervision, the method of monitoring, on the structure of informal groups and on the work morale within the company. It became clear that not only money motivated the labourers but personal and social factors played an important role in the changes of the performance. The other finding related to this was that the results had been also affected by the conductors of the experiments, because purely by listening to the workmen and they had treated them as partners and that fact had made an impact on their performance.

Although it cannot be denied neither that the Mayo has laid the foundations for the doctrine of human relations with his research nor that he has brought a turn in the development of management, Kieser affirms that the importance of the human relations at work has already been recognized and taken into account in corporate senior management well before the Human Relations movement. The Hawthorne experiments did not mean more – nor less – than the scientific legitimacy of this practice. (Alfred Kieser: Organisation theories, 1995.)

The so-called X-Y theory proposed by Douglas McGregor (1906-1964): the theory shed light on that employees may be very diverse in the world of work, and the executives must accept this diversity. Therefore, managers must not approach management problems according to a

model which is apparently logical but which in reality is based on bias or beliefs. McGregor, the illustrious sociologist states that two specific view systems take shape in most managers' mind in connection with the attitude of employees related to the world of work. He called the two extreme formulations of the two possible view systems theory X and Y. In general these view systems are not necessarily shown in their extreme form, but they determine how a manager looks upon people whom he works with. The two 'theories' can be described with the following few statements.

The approach of theory X (the 'authoritarian management' style)

- The average person dislikes work and will avoid it if he/she can.
- Because of their reluctance to work most people must be incentivised. Force, supervision and direction must be used to achieve that an employee make the expected efforts in order to achieve the organisational objectives.
- The average person prefers to be directed and to refuse the responsibility of decision-making.
- The average person has little ambition and wants security above all.

The approach of theory Y (the 'participative management' style):

- The physical and intellectual effort is a need which arises from the nature of man, and which – in ideal conditions – is carried out with pleasure.
- People will apply self-direction and self-control in the pursuit of objectives to which they have been committed.
- Commitment to objectives is a function of the desirability of the objectives and of the conviction associated with their achievement.
- The average person, in appropriate circumstances, not only accepts but also seeks responsibility.
- The average people also have a great number of abilities, which they would like to develop but which are only partially utilised by conventional management.

The manager who directs his X-type staff according to theory Y commits an obvious mistake. But the same mistake is made - and this is more often - when a manager wants to direct his Y-type employees by the X theory. One of the fundamental messages of the X -Y theory is that

a manager is to fit his management model to the needs of the employees.

(Gyula Bakacsi: Organisational behaviour and management, 2006)

1.3.2 Neo-classic era – Behavioural tendency

The early 20th century is considered to be the great decades of psychology. The results of psychology which could also be used in organisational life came before long. In the 1930s and 1940s spectacular results were published in the field of understanding human behaviour and group dynamics, as well as in the description of the organisational person-to-person conditions.

Kurt Lewin (1890-1947)



9. Figure: Kurt Lewin

He considered individuals as ones whose action was defined by external and internal forces encountering each other in a specific space and time. The behaviour followed in a given moment will result from the interaction of these forces. Some new behaviour occurs when the volume

and/or the direction of the forces determining the individual's behaviour change, and the equilibrium of the 'force field' is found. The most important factors in the change of the individual's behaviour are the group and the cultural norms. The experiments in which he examined how the leadership style of the formal manager led to affect the conduct and the performance of the group are still of great importance.

Lewin identified three leadership styles: the autocratic, the democratic and the laissez-faire styles. He carried out research to study the behaviour-change of individuals. He has established that the effective changes of conduct are made up of three phases:

- 'Unfreezing' the existing habits, routines, operational schemes, i.e. dismantling existing stabilities
- move toward the new behaviour, i.e. achieving the change
- fixing, i.e. 'freezing' the changed behaviour.

Chester I. Barnard (1887-1961) considers the organisation as a social group.



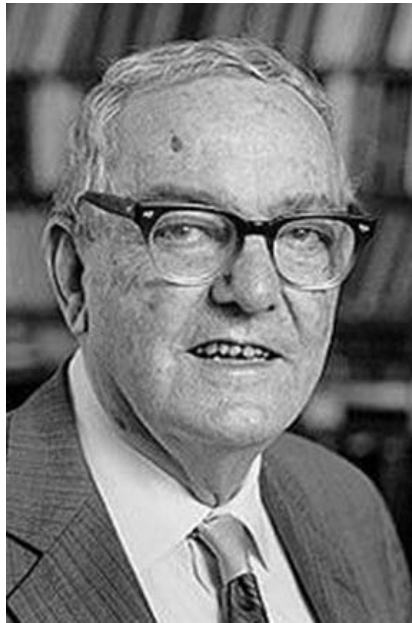
10. Figure: Chester I. Barnard

The participants shall collaborate with each other in the organisation, and as a result of their collaboration the required operation comes to existence. The existence of organisations depends on to what extent of

the balance between the members' organisational contribution and satisfaction is realised. The common organisational goals forming the base of the organisational cooperation can be achieved when the common aim is recognised by everyone and everybody is willing to act in order to achieve it. Thus, it is the responsibility of the management that the employees create the conditions for achieving the organisational objective. He attributes particular importance to the communication within the organisation, as the communication system is a device that allows to coordinate the cooperation between organisation members. He says that the number-one management function is the development and maintenance of the organisation's communication system. In achieving effective communication the informal organisation plays a key role.

In Herbert A. Simon's view (1916-2001) the decision-makers follow the principle of satisficing either by seeking an optimal solution in a simplified world or by looking for acceptable solutions in a more realistic world. We encounter more often the latter decision-making situation, and the decisions taken in this way Simon calls bounded rational decisions. The output of a decision is not the objective optimum, but the result which is found satisfactory on the basis of the decision-maker's requirements and findings. In this model, the decision is not a momentary action but an alternative, or the outcome of a solution search process. With its own means the organisation can make the decisions of the individual decision-makers more approximate to the optimum. The aim of the management-science approach is to develop quantitative methods to underpin decision-making and the direction of production processes. Science is to describe, understand and predict the operation of complex man-machine systems in natural conditions. The management-science approach appeared in the 1950s and was often called operations analysis. It emphasised in particular the application of mathematical methods.

(Róbert Bacsó: Management and Marketing 2013)



11. Figure: Herbert A. Simon

1.4 MANAGEMENT THEORIES TODAY

Contingency (scenario) theory.

The contingency theory was proposed as the development of previous theories (disciplines of Taylor, Fayol, Weber), and has evolved and changed much over the decades. The tendencies preceding the contingency theory had provided recommendations which allowed to think that they could be applied effectively in any circumstances. Therefore, classic schools are also qualified as the 'one best way'.

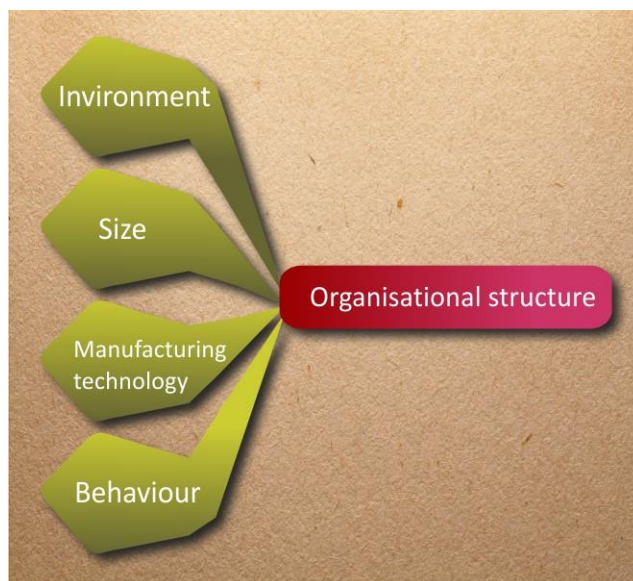
In the management literature of the 1950s becomes more and more widespread the view that there are no general organisational and organisation building principles, but if they do exist, they are so general, that they not help in solving problems of practical organisation building. (Alfred Kieser: Organisation Theories 1995).

In contrast, in the contingency research it was assumed that in different situations a different solution could be successful. The initial research focused only on a single factor at a time, the effect of only one factor of organisation building was examined. Neither conduct issues have been dealt with nor has the role of the structure been investigated.



12. Figure

Later research has examined the combined effect of multiple underlying factors.



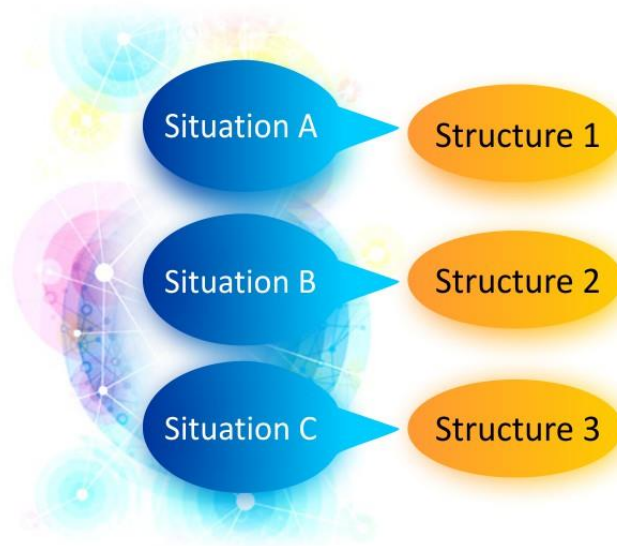
13. Figure

So, the contingency theory examines how the given situations, such as the external environment, the company's internal potentials, influence certain fetatures of the organisational structure. The basic hypotheses are as follows:

- The structure of the organisation can significantly affect the effectiveness of the organisation
- There is no general effective organisational structure, the organisation must adapt to current environmental conditions, to

the longer-term features and internal factors, if they want to operate effectively.

- It can be analysed with empirical studies which structure is effective under certain conditions.



14. *Figure*

The results of the contingency-theory research may be used in practice in enterprises in the following way:

- We can explain differences between certain organisational structures
- We can predict in which direction the organisational structure must be changed if the environment that is, a given situation is changed
- If the company is familiar with its external and internal potentials, the options of reasonable organisational models can be narrowed down

The contingency theory, therefore, assumes that the formal organisational structure plays an important role in the company's effective operation, and also that in order to ensure the effective operation of the company, the management should provide the

consistency of the environment and the structure. If the scenario changes and thus consistency disappears, the structure should be changed to relieve the discrepancy.

(Miklós Dobák: *Management and organisation 2010*)

The work in which twenty English companies were analysed by Tom Burns and G. M. Stalker was published in 1961. Based on the data of the study a distinction was made between mechanical leadership, characterised by a respect for hierarchy, the specialisation and work division (which reflect the approach of classic schools) and organic leadership, which is built on the communication between the personnel, the delegation of the tasks on the level of the professionals, and on the recognition that instead of detailed rules clear objectives shall be drafted for the company.

Burns and Stalker have made three theses.

- in a balanced market environment, the mechanical model is easy to use, in an unstable environment, the organic model is more effective,
- none of the styles is better than the other, in each case the current status of the environment shall determine what leadership style should be used,
- there is no organisational structure, which is always equally effective and which could ensure the efficiency for all organisations.

Paul Lawrence and Jay W. Lorsch tested during their research ten American corporation and focused on three corporate activities. They published the results in 1963 in the book entitled *Organization and Environment*. In their opinion, the stability of the environment gives account for the instability of each organisational division (e.g. sales or production), i.e. the same environmental instability may affect the individual organisational units in completely different degrees. It is appropriate to apply within an organisation the mechanical and organic style in accordance with the main activities, depending on how much the environmental instability affects the divisions respectively.

(Szabolcs Imreh - Zsófia Kürtösi - Zoltán Majó – Márton Vilmányi: *Management I. 55/2008 SZIE GTK Distance Learning*)

1.5 TEST YOUR KNOWLEDGE

1. Who applied the doctrines of Taylor to practice?

.....

2. True or false?

The Gantt chart shows the relationship between the organisation efficiency and the planned work processes.

.....

3. Weber's 'ideal body' includes the following features: /more than one answer is possible/

A: Members of the bureaucratic body come into contact with each other by rules fixed in writing and by files.

B: Weber says the management activities may be divided into six groups.

C: Remuneration for the work must be fair.

D: The disadvantage is the organisation is too quick to adapt to the changes of needs.

E: The bureaucratic personnel typically ignore partial considerations.

4. Enumerate the four phases of the Hawthorne experiments.

.....

.....

5. True or false?

According to the Y theory, the average person loves to be directed and avoids the responsibility of decision-making.

.....

6. True or false?

Chester I. Barnard has distinguished three leadership styles: the autocratic, the democratic and the laissez-faire styles.

.....

7. The contingency theory examines the following (more than one good answer is possible/

A: Is a particular organisational structure able to adapt to the environmental conditions?

B: The empirical tests are not suitable for the selection of the effective organisational model.

C: The production technology has no impact on the organisational structure.

D: The main message of the contingency theory is the 'one best way'.

E: If we know the internal and external potentials, it is easy to select the right organisational model.

8. Enumerate and interpret Fayol's management principles
/Essay/

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.....

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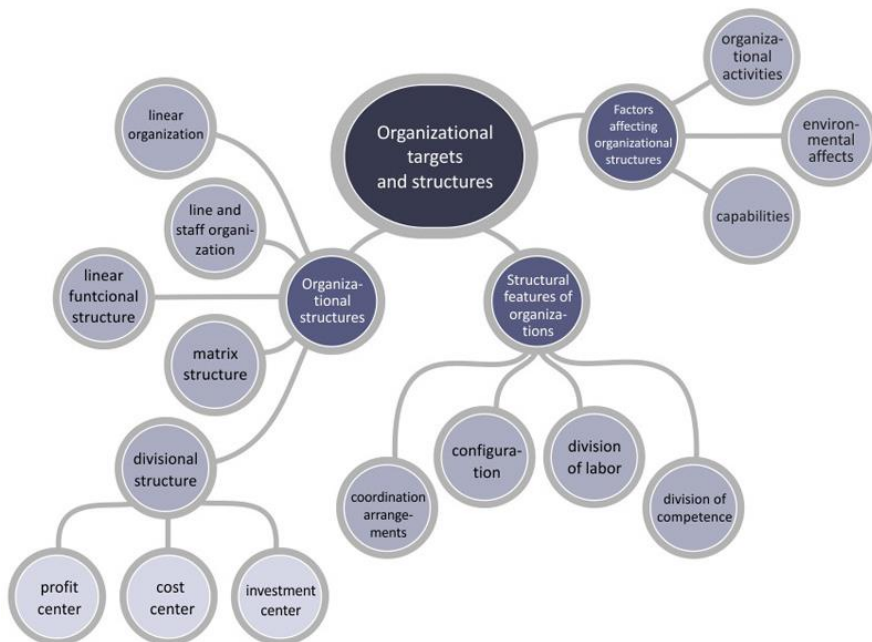
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2. CHAPTER 2: ORGANISATIONS OBJECTIVES, ORGANISATIONAL STRUCTURES



15. Figure



16. Figure

On today's level of social development, in the order of the complicated division of labour, the highly organised human activity is indispensable, which can only be achieved by the maintenance and the development of the organisations. In the society the world of organisations is very rich and manifold, but in one concern all organisations are identical: it reflects a specific human relation system. So, depending on how the human relations have changed in the course of the social development, the attitude of man towards the organisation has been changed and hereby his view of the organisation has been modified.

(Dr István Szvitacs: Organisational studies II. 2002)

2.1 DEVELOPMENT OF ORGANISATIONS

In order to understand the operational and structural characteristic features of organisations, we must determine the main causes of the creation of organisations and the essential factors of all organisations.

Organised human collaborations which can be found in many aspects of life are usually arranged to achieve a common goal, to perform some common tasks. The members participating in business life engage themselves in common economic activities the efficiency of which primarily depends on the clear assignment and division of tasks, on the provision of the competence and responsibility conditions needed to carry out the tasks, on the creation of working relations and on the consistency of all these. (The lack of consistency between functions, powers and responsibilities not only reduces efficiency but it also corrupts human relations, impairs the corporate climate (ambiance) and distorts the forms of human behaviour.) Therefore the creation of the organisational structure, that is the organisational framework to facilitate the achievement of strategic objectives and plans is an essential task. In other words, starting from the hierarchy of the the company's objectives, processes should be developed accordingly within the enterprise, then the breakdown of phases and activities thereof will determine the ideal work division and the framework of training of the individual posts and divisions. In the course of the organisation building and operation regulation shall be determined what work is to be done in the organisation, how they are related to each other, what the role in this is of certain people and groups, etc., and the relations of authority and responsibility will be clarified. The organisations are essentially structured to control and manage the process systems, and to determine the points of linkage between the various parts. *(János Horváth: Management knowledge)*

On the basis of the reasons for the creation of organisations, two major groups can be distinguished:

- community grounds,
- tangible reasons.

Community grounds:

Man is a social being, consequently, he has always looked for other people's company. There are organisations which are created only to meet such needs of man (e.g. clubs, companies of friends).

Tangible reasons:

In addition to the above-mentioned psychological motives, man also creates organisations for impersonal, tangible reasons, for he can do in this way three things that he could not do alone:

- he can increase his performance,
- he can shorten the time required to achieve an objective,
- he can use the knowledge accumulated by previous generations.

As described above every organisation shares the following five common characteristic features:

- 1) There are always people in an organisation.
- 2) People are related to each other, they interact.
- 3) The interactions can always be described or sorted in accordance with some structure.
- 4) People in the organisation have objectives. They expect to achieve these objectives with the help of the organisation.
- 5) The interactions may help in achieving the joint objectives.

(Dr István Szvitacs: Organisation studies II. 2002)

2.2 THE CONCEPT OF AN ORGANISATION

A great number of attempts have been made to define the concept of organisation.

The organisation is the system of the cooperating human activity. *(Chester I. Barnard)*

The organization is the system of structured interpersonal relations. *(William G. Scott)*

The organisation is a social unit within which the people are in a stable relationship with each other with a view to facilitate the achievement of a set of their direct or perspective objectives. *(Joseph A. Litterer)*

Formal organisation is a group or a cooperating system, which is provided with the following characteristics:

- a system of adopted objectives,
- the consciousness of belonging to the organisation,
- the continuity of interactions,
- the distinction between functions,
- conscious integration.

(Bertram M. Gross)

The organisation is a purposeful system which contains at least two purposeful elements, and these have a common objective for the achievement of which there is a functional work division; the functionally distinct subsets of the system may respond to each other's behaviour by observation or communication; at least one subset has a system regulator's role. *(Russell L. Ackoff)*

The definitions brought up as examples clearly show that there is no established and uniform view in this area. Not only the details and the depth of each definition are different but there is difference between them in their content, what is primarily the consequence of the authors' approach. *(Dr. István Szvitacs: Organisation studies II. 2002)*

2.3 OBJECTIVES OF THE INDIVIDUALS - ORGANISATIONS

Individual objectives always arise from the individual's needs. For the individual needs many theories are known, among which MASLOW's theory may be considered the most acceptable.

Maslow builds his theory on three basic theses. These are the following:

1) Man is a creature in constant need who wants more and more. The nature of his needs depend on what needs of his are already met. As soon as a need is met another comes to its place. This is a never-ending process: one certain need can be met but not all human needs in general.

2) The fulfilled need do not motivate the behaviour any longer. Only unfulfilled needs can do that.

3) Human needs are arranged on different levels in a hierarchy. As soon as a need on a lower is fulfilled to a satisfactory degree, a need on the next level will arise.

For Maslow the hierarchy of needs is built up as follows.

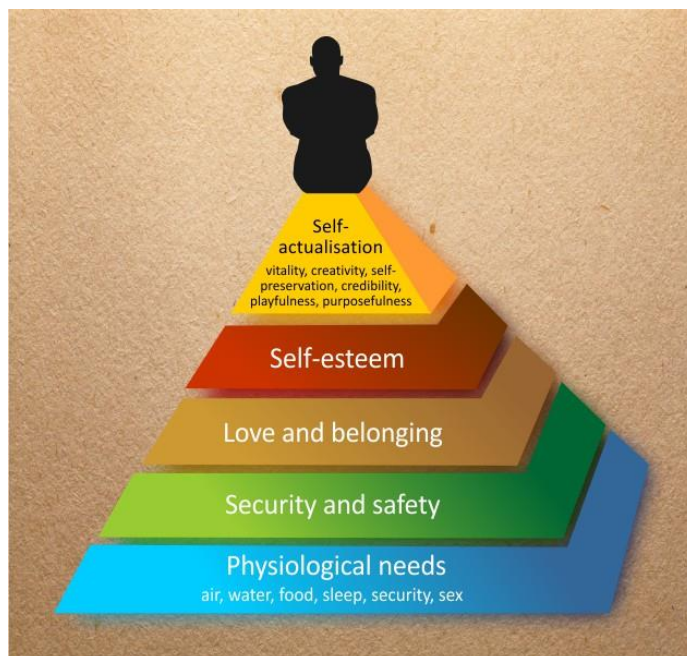
The lowest level is that of the physiological needs, also known as the level of vital needs. This includes air, water, food, rest, movement,

shelter from the hostile conditions of Nature, that is the basic conditions for human survival. Vital needs precede all other needs. For a starving man the higher-level needs do not exist temporarily.

On the second level of the hierarchy the safety needs are placed. These needs include: safety of physical dangers, economic safety etc.

If the physiological and safety needs are adequately met, then the social (community) needs become the motives of the human activity. The need for company, for love and for belonging to a community are included in here.

The next level, the level of need for esteem covers self-esteem (self-awareness, competence consciousness, feeling of independence, sense of responsibility, etc.) and the need for being esteemed by the others (reputation, importance, etc.). Competition and the desire to be outstanding is an almost universal human characteristic. These needs cannot be fulfilled totally: once they become important for the individual, they constantly need to be met. Such human needs belong here like the needs for developing his own abilities, for self-development, for creativity in the most comprehensive sense.



17. *Figure*

Of course, the needs do not define the act directly. Let us take the example of the need for nourishment. For the man this is a fundamental physiological need, we do not eat after all steadily. For the fulfilment of the need one needs to be motivated. So there has to be some factor that persuades man to act. In our example the sensation of hunger personifies this compelling strength. We know that it is necessary to take food to ourselves if we are rather hungry. However, this is not always the aim yet. The aim (I mean what we shall) is defined by our claims (we would like to eat a pizza, and not hamburger), our desires (we need a car) and mostly, of course, by our financial opportunities. (*Dr. István Szvitacs: Organisational studies II. 2002*)

Organisations have their own objectives which are different from individual aims but are related to them. We saw individual aims may be very diverse, and can be rendered probable that there is not one organization that would be able to fulfil the aim of all its members fully.

On the other hand, it can be concluded that the organisation is not able to effectively operate if it does not fulfil at least some of the individual needs. Accordingly, for all organisations it is fundamental to recognise his members' individual aims and to define the organisational aims in a way so that they facilitate the achievement of the individual aims. This is a managerial task primarily.

Defining the organisational objectives are essential to the effective and efficient operation of the organisation. Since the organisational objectives are designed to serve as the basis for alignment of resources.

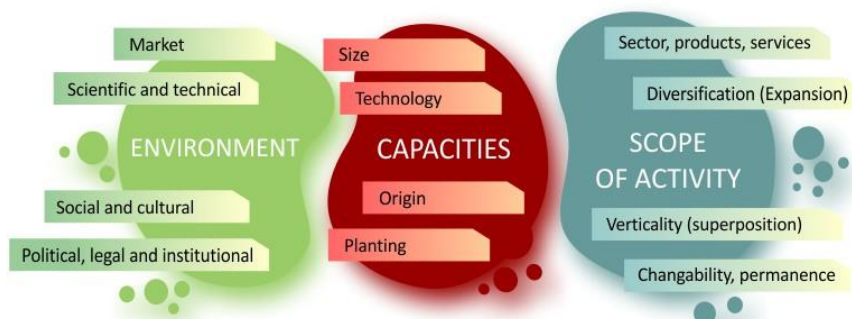
We can point out the following major features of the organisational objectives:

- (a) Organisational goals are hierarchically structured.
Starting from the overall organisational objectives, the goals shall be assigned from the top to the lower levels of the organisation in a way that they should be compatible with the objectives of the whole organisation.
- (b) The organisational goals mutually reinforce each other.
We may talk about mutual strengthening if the organisational and individual goals are attained equally, that is the organisation and the organisation's members help each other mutually in the achievement of their goals. This is the prerequisite of the fruitful functioning.
- (c) The organisational goals are compatible.
Compatibility means that a series of individual or organisational goals must be compatible with the efficient operation of the organisation.
- (d) The organisational goals are superordinate.

We consider the concept of a superordinate goal to be the most characteristic feature of the organisational goals. For this explains the organisation's essence: organisations exist because they are able to accomplish things that people would be unable to do alone. The superordinate goal is equally the goal for all the members and subdivisions of the organisation. In the meantime it covers all of the subordinate goals. It is a goal that can be achieved the best with cooperation. (*István Szvitacs: Organisational studies II. 2002*)

2.4 FACTORS AFFECTING THE DEVELOPMENT OF ORGANISATIONS

The effectiveness of organisations depends on their structure and on what management principles and methods are used. These, however – with the earlier contingency theory approach accepted - depend to a large extent on the environmental conditions, on the constant, long-term capacities and the scope of the activity of the organisation. (The scope of activity is listed among the organisational capacities in several types of taxonomy. In the present case put it separately.) The operation is thus affected by several factors of a specific situation. However, this does not mean that all factors should be treated with equal weight.



18. Figure

The environment as influencing factor

The market environment covers the changes in frequency, intensity of market partners (customers, suppliers), their irregularities, customers' demands, modifications in the requirements of products and services, but changes of the labour and financial are also included. The appearance of new scientific results and the application rate thereof may greatly affect

the life and operation of the organisation. But the organisations cannot render themselves independent neither of the specificities of the wider social, cultural and political environment, nor of the changes thereof.

Role of the capacities

Usually is not difficult to clarify the concept of organisational size, because most of the times we identify it with the personnel. In addition, however, other properties, may also be the based of the size, as for exemple revenue, brief traffic, customer traffic. According to the research size is related to the degree of work division within the organisation and the written regulation of the activities. The larger an organisation is, the higher is the degree of specialisation, the less of the organisational tasks a specific department deals with. However, the intense work division has the consequence that a member of the organisation has an overview only of a fraction of the overall tasks of the system. Therefore, in large organisations the requirement of harmonisation is more important. The basic technology of the organisation may also be a strong influencing factor. The typical types of basic technology are as follows:

- mass-like, carried out as a routine,
- regular, standardised procedure,
- workshop-like, customised,
- project-based issues,
- complex processes.

The origin of an organisation will be determined by the circumstances under which the organisation was created (e.g. fusion of several former organisations), the age of the organisation, and the historical changes which characterised its operation. A number of the patterns and characteristic features of the structure of an organisation often only make sense in light of the past of the organisation. When making decisions relating to organisations it is appropriate to take into account the specificities of the planting situation, such as the number of sites, their geographical location, distance, the differencies within the region, between city and village and the infrastructure coverage.

Effect of the scope of activity of the organisation

We mean by scope of activity the sector the organisation is operating and the products and/or the services that it deals with; also how wide, large (diversified) its activity, and how much the products and the services are based on each other (verticality).

Scope of activity is also known in the business sector as profile. On one hand, the scope of activity has its effects through the definition of the certain organisational capacities: e.g. a motor assembly plant can only be operated economically above a certain organisational size (emission quantity) – apart from the category of luxury cars, and the number of applicable technology options is also limited. On the other hand, the scope of activity may have its effect directly:

Our mayor's office (regardless of whether small or large) follow very similar patterns of construction, workflow and organisational culture, and these patterns rather differ from the patterns of the marketing agencies or the operational patterns of IT firms, for example.

(Dr. Sándor Kiss, Dr. Éva Pallai: Organisational and management skills in public administration 2013)

2.5 STRUCTURAL CHARACTERISTICS OF ORGANISATIONS

To set up a system of organisational forms and the Muszka-organisations it is appropriate to clarify the criteria which we can characterise an organisation with. The correlations shown here below will be useful later to see the work organisation and the possible changes thereof in a company. The more the outlined structure types usually will not occur in practice in their pure form, but the mixing of the characteristics is quite common. We consider to be basic structural traits within the organisation the set-up of

- work division,
- scope of authority division,
- coordinating tools,
- configuration.

Work allocation

We mean by work division the breakdown of a complex task into smaller tasks and the allocation thereof to organisational units. Work division is also the base of the layout of organisations. The breakdown of the task into parts can be carried out in more than one stage, getting as far as the allocation of the basic tasks, in accordance with which we will talk about primary, secondary, etc. work division.



19. *Figure*

The primary work division is the most comprehensive distribution of tasks resulting from the basic activity according to a specific principle:

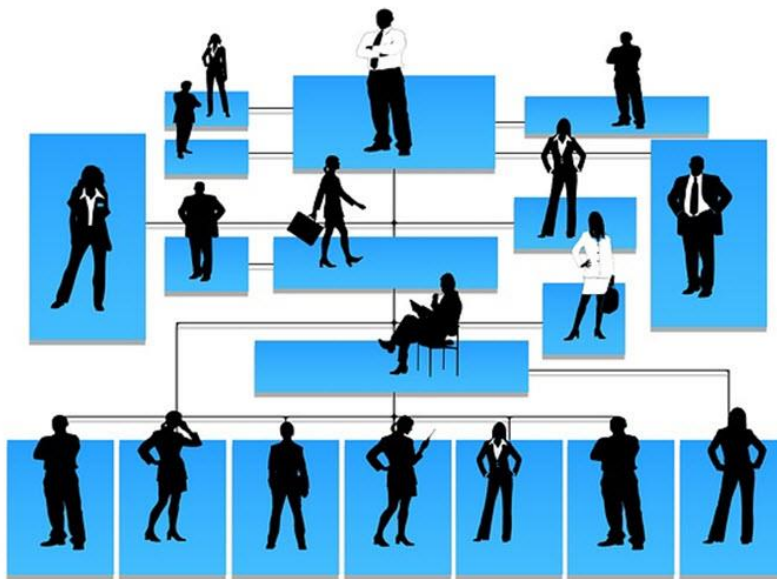
- functional, which is the separation of homogeneous professional activities,
- material, which is a grouping according to products, materials and customers
- regional geographic specialisation.

Depending on how many of the above principles apply at a time on the level of the primary work division, we can talk about one and multi-dimensional organisations. It should be emphasised that this is true on the level of the primary distribution, because on the secondary level, it is natural and frequent that the breakdown is based on other principle of systematisation. Therefore, one-dimensional organisations are structured using one of the distributional principles:

- function-base - functional work division,
- material or region-base - divisional work division.

In two-dimensional organisations two principles of work distribution exist, of course, simultaneously (function - material, function - region, material - region), where the rank of the two organisational dimensions is the same. We must mention the tensor organisations, in which on the primary level more than two - typically three – work division principles are applied. This solution, for example the division as function-object- region, can be found in particular in the case of large, in the majority multinational firms.

Division of authority



20. Figure

The organisational units can carry out the tasks allocated to them on the required level if the executives are entitled to the necessary authority. The division of the authorities within the organisation means the development of the competencies of the managers of the organisational units articulated on the basis of the work division principles. Within this the allocation of the decision-making authority and the instruction-making authority between the management and the seniors on the subordinated hierarchical levels is of paramount importance. Here the organisation is based on the number of the organisational units above it in the hierarchy, from the seniors of which an organisational unit gets implementing instructions simultaneously. Based on this we can distinguish single-line and multi-line organisations.

For single-line organisations (mainly Fayol dealt with them) all subordinate unit gets instructions from only one higher organisational unit, the dependence and professional management is not identified organisationally. The allocation of tasks going downwards, instructions and the report going upwards will be made in the same chain of command. Typical examples are the small family organisations, the organisations preserving clean linearity and the pure forms of the

divisional organisations. It should be underlined that a certain degree of linearity characterises all organisation, because without that it could not operate. In the multi-line organisations (on the basis of Taylor's research) the subordinate organisational unit(s) may receive instructions from several higher organisational units, so the dependence and professional management is separated.

To provide the constancy of the work division and the division of authority is one of the most important management functions, because the responsibility and performance assessment is also based on these. It is of fundamental importance in the decentralised organisations. An example of this type of powers split is the functional organisation and the matrix organisation.

Coordination tools



21. *Figure*

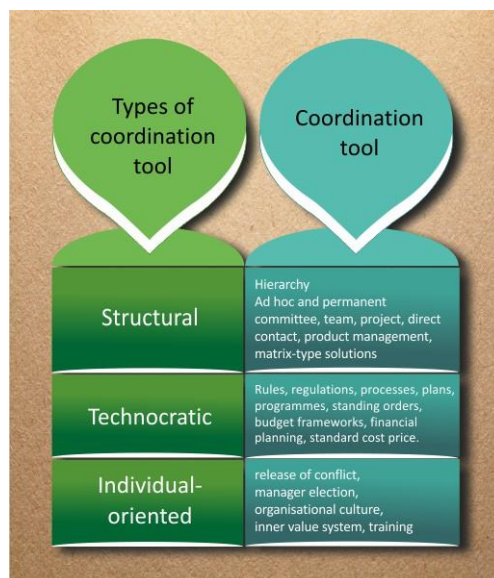
We mean by organisational coordination the assignment of the parts to or next to each other, and the consistency thereof. During the specialisation of organisational units differences are not to be eliminated but the operation of the subdivisions is to be coordinated. The tendencies of our age (diversification, multinationality) focus on the importance of the role of coordination, and it is not an exaggeration to say that it becomes of strategic importance today. Researchers of the exploration of coordination tools were finally thinking in three large organisation thinking areas (Khandwalla). In the first, because of the overloaded managers they tried to fulfil the needs for coordination the relying on the existing organisation. Into this group are typically classified:

- the hierarchical relationships existing within the organisation;
- A variety of teams, units, direct relations emerging along temporary or permanent connecting points;
- Solutions of other logic than the traditional organisational layout.

The second group includes the 'abstract guidance tools', which are usually formalised guides, and which impose uniform direction of the activity of the subdivision. These are:

- rules, regulations, procedures;
- plans, programmes, schedules;
- financial-type regulators.

In the third group those tools are listed, which assist to develop the individual's organisation engagement and inclusion in the organisation, *Figure 20* shows the sets of coordination tools.



22. *Figure*

The structural type coordination tools include solutions, which can be integrated into the basic structure of the organisation without modifying the primary work division and authority division, or if they do modify them, they do it only temporarily. Such as:

- projects,
- teams,
- the ad hoc and permanent committees,
- staffs.

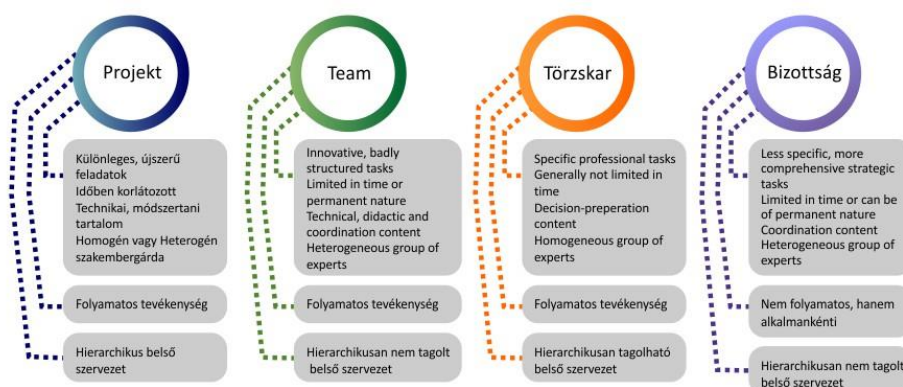
In projects people of different knowledge and ability, with a different motivation, located on different professional fields and hierarchic level of the organisation carry out in order to achieve the organisational goals, to which the following traits are valid: temporal limitation, relative innovativeness, high risk, one-time nature and complexity.

In favour of the project-based operation the following arguments can be made: certain types allow to adapt to the changing conditions without changing the structure of the organisation; the professional composition of the project supports the coordination of sub-interests; possibility of the rational utilisation of problem-oriented thinking and that of financial and human resources.

A team is a task-oriented and autonomous unit made up of people in different positions and from different working areas, which is formed temporarily to solve a specific task or permanently to carry out tasks. Compared to the project the difference is that the tasks to be carried out, or the problem to be solved is not necessarily innovative and unique, and the narrowness in time is not necessarily a characteristic feature of a team. In particular, teams are of high importance in the phases of decision-preparation and decision-making. The intensive communication between the functional departments and the different hierarchic levels of the company/institution, the professional grounds of the decisions, the employee participation, the simultaneous representation of operational and strategic perspectives are represented by the temporary and permanent committees. These committees carry out a less specific activity, and in general they operate with top management of the company/institution. The members of the Committee contribute to the work of the committee holding their original status. Committees can be created with advisory, informative, decision-making and executive content. The staff organisation is in particular an organisational unit or a person who assists directly the management activity. Their operation is characterized by a comprehensive problem management.

As a professional advisory organisation they only carry out decision-preparation tasks. With their creation a new form of power control and interest assertion has appeared, which brought the separation of professional and management coordination.

About the structural coordination tools mentioned above we can state in general that the committees and the staffs do not alter the competence and authority system organisation formally, while the projects and teams, however, will not leave intact the competence system of the organisation during their operation. The main characteristics of these structural coordination tools are shown in the figure below.



23. Figure

In connection with the structural coordination tools we usually distinguish the vertical and the horizontal types of coordination. This distinction between the coordinating solutions refers to the direction of the communication. The vertical coordination means in particular communication between organisational units under or above each other, the characteristic manifestations of which are instructions and reports. The horizontal coordination is related to the communication between organisations on the same activity and competence level.

Configuration

The discussed work and competence divisions and coordination are primary structural characteristics, and they practically determine the fourth, configuration, which is a secondary characteristic feature derived from the foregoing. Configuration as a derivative, but in any case structural characteristic with separate scope of sense can be characterised by what follows:

- layout of the organisation in depth, which is the number of hierarchical levels in regard of the main profile,

- layout of the organisation in latitude, that is the number of employees subordinated directly to a superior on certain levels of the hierarchy,
- size of certain organisational units (number of employees within the unit).

Hereinafter, the basic types of organisational solutions, which can be considered both in theory and practice as the most common ones, will be presented on the basis of the structural characteristics described hereabove.

(Miklós Dobáks: Organisational forms and management 2004)

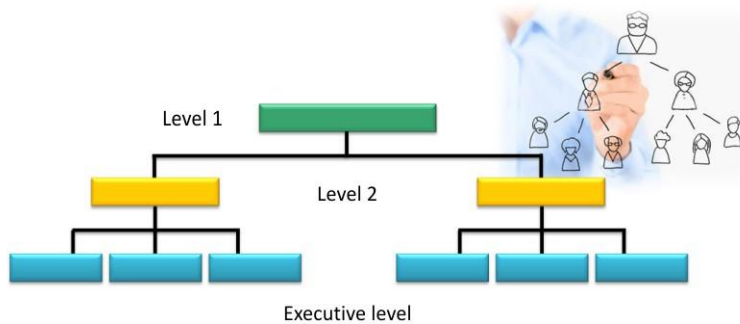
2.6 ORGANISATIONAL FORMS

The organisational forms vary according to the differences between their construction (structure), and the structural differences are caused by the differences in the structure dimensions. The structure of real organisations, due to the variety of their activity and environment, is always unique, but in most cases the organisational form (model) to which it suits the best can be identified.

This also means that in practice the organisational models to be presented hereafter can be observed in their pure form only rarely.

2.6.1 2.6.1. Linear organisations

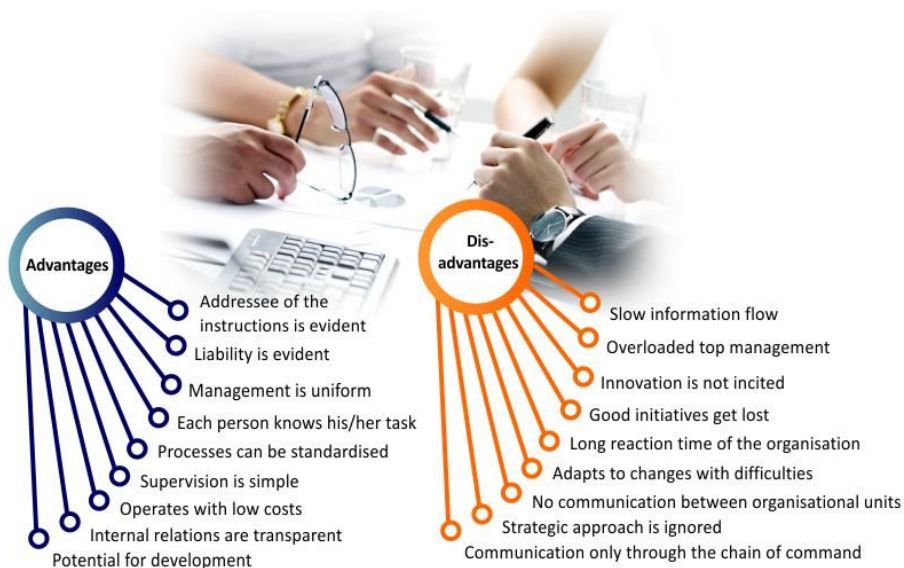
The simplest organisational form is the linear organisation (therefore, it is often called simple organisation). The main principle of a linear organisation the strict integrity of management, which principle is usually referred to in management studies by the name of Henri Fayol and Max Weber. In terms of work division linear organisations are one-dimensional. The principle of work division is eventual or quantitative. In terms of competence division they are highly centralised, single-line structures. Coordination is ensured primarily by the hierarchy.



24. Figure

The *configuration* of a linear organisation is shown in its simplified form in the figure.

The linear structure has advantages and disadvantages:



25. Figure

The weak points of a purely linear organisation become visible quickly with the increase of the size of the organisation.

The model in this case can develop into several directions. The simplest option is to create a staff-type organisational unit which, along

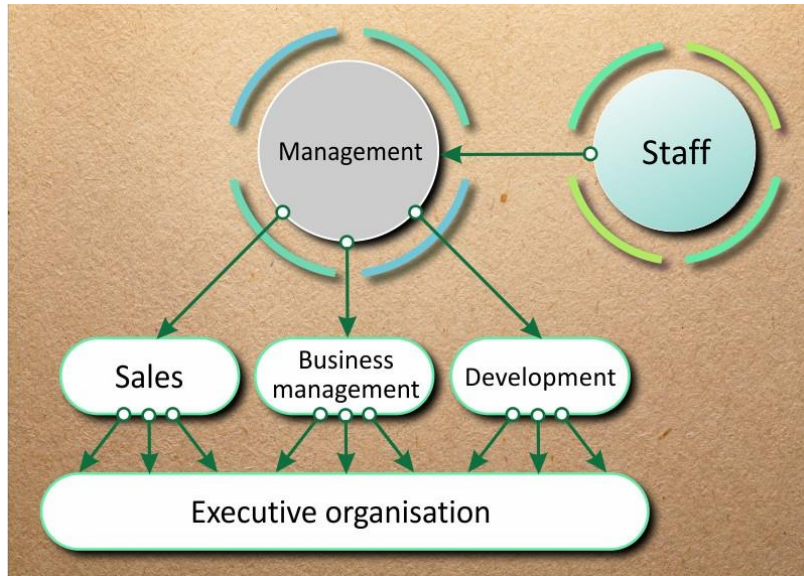
with the top management, will be in charge of the consistency of areas of interaction, and makes an advisory contribution.

2.6.2 Staff organisations

The staffs carry out mostly decision preparation, e.g. in strategic, re-constructural, innovative and legal matters, directly subordinate to the top manager. They play an important coordinating role from more aspects:

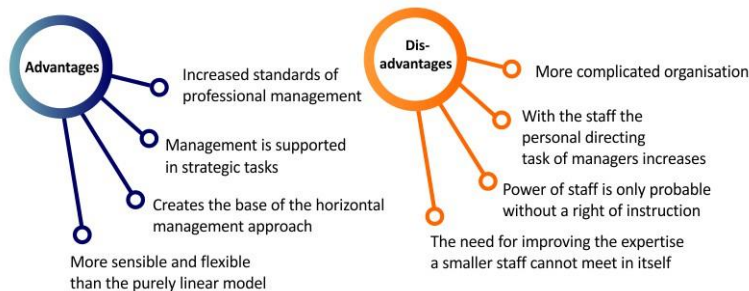
- review of the professional jobs on lower levels but included in the competence of the staff.
- they are related permanently to the top management, so they are specific mediators of the strategic perspectives downwards and of the opportunities upwards.
- due to their wider range of vision staffs can draw up proposals in which multi-views are applied.

You need to know, however, that the staff does not have dependency or professional management powers concerning the executive departments of the organisation, it can validate its intentions only via the head of the organisation. So, the creating of staffs does not change formally the system of competence and authority of an organisation.



26. Figure

The staff organisational structure has advantages and disadvantages:



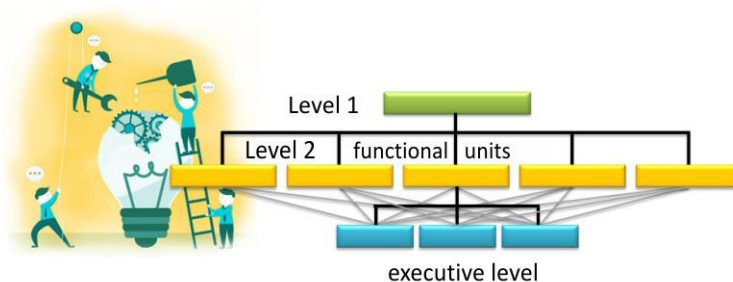
27. Figure

2.6.3 Linear-functional organisations

Another way to solve coordination problems is the linear-functional organisation, an amended form of the linear organisation (newly often called only functional organisation).

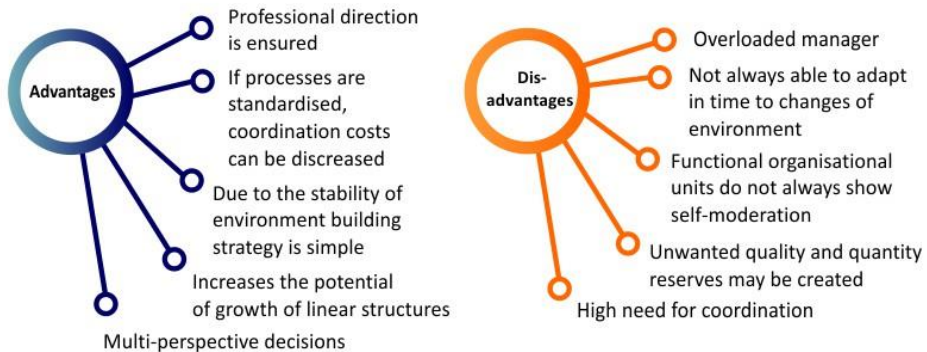
In this form of organisation, dependancy relations, professional supervision and management relations appear simultaneously.

Linear-functional organisations are one-dimensional, and the primary work division principle is functional. With an increase in the organisation's size strongly specialised departments and jobs may develop. In terms of competence division they are still centralised, although less than the purely linear form. An important difference is that in this multi-line organisation dependancy and professional managements are seperate. Coordination is ensured primarily by technoratic (e.g. , regulations, plans) and structural (e.g. meetings, committees) tools.



28. Figure

The linear-functional organisational structure has advantages and disadvantages:



(Dr. Sándor Kiss, Dr. Éva Pallai: *Organisational and Management Skills in Public Administration*. 2013).

29. Figure

2.6.4 2.6.4. Divisional organisations

During their increase business organisations will come to a dimension (size), which makes the functional regulation and control difficult. The high diversification of production or products and the increasing corporate dimensions making their effect also in geographical sense cause more and more coordination problems. In companies, where the activities and the results are distinct, where the operation can be carried out effectively despite of being separate, that is where company managers can enjoy the economic benefits provided by big companies, and in the mean time can take advantage of the easy management and operational ability for response of small companies, appeared the breakdown of large size organisations into effectively manageable decentralised sections, the so-called divisional structure.

Divisional organisations are equally characterised by their strategic and operational adaptability, their successful operation is based on the effective interconnection of the divisions' autonomy with the central resource distribution and the performance monitoring (accountability). In these organisations the primary work division is based on the tangible principle (usually products - product groups, or customers - customer groups) or on regional principle (market regions in geographical sense), i.e. most of the time the organisation is structured according to products,

or the sales directions. The organisational units resulting from this are called divisions.

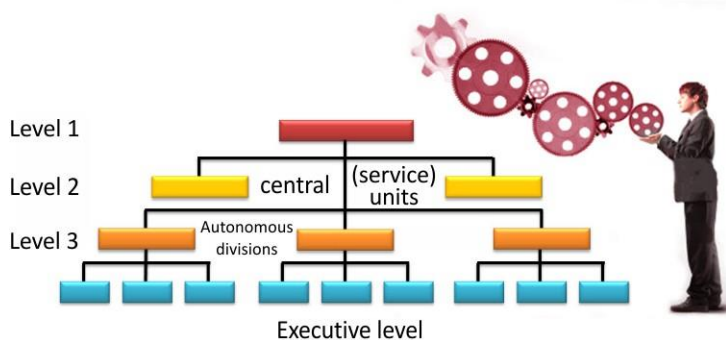
In a typical divisional organisation the enterprise level management, coordination and control activities are characteristically carried out by small central units (distribution of resources; development of performance criteria and the supervision of their realisation, demarcation of activities, i.e. the provision of the independent operational conditions of the divisions, development of an incentive accountancy system). In addition, in many cases, shall establish staff-nature (advisory, top management decision preparatory) and service provider (computing and organisational center, education and training center, market research, transport, handling, etc.) central units. Development of the central functions is justified by the pursuit of the possibility of a single market, of a better use of the action device capacity, of avoiding parallel jobs, of exploiting the benefits coming from the quantity of items, etc.

- For its operation the division has its own managerial (e.g. marketing, development, production management, sales, etc. functional units) and executive personnel.
- Divisional organisations – with regard of the company as a whole – are characterised by the decentralisation of the decisions, the majority of the competences related to the operation of the division are in the hand of the division managers.
- However, within the division, in most cases there is a linear nature dependency relation between the production units and the head of the division, decisions are centralized. Overall, beside a one-dimensional task distribution works a single-line management.
- One of the reasons for the formation of divisional organisations and also the central problem of its operation is to ensure proper coordination.
- The company management has to establish the common understanding of the management and control on an overall company level, and also to develop decision-making space for the divisions.

Since the competence decentralisation reduces to minimum the operative (instruction-like) vertical coordination, and since the operative horizontal coordination does not appear between the divisions due to their separation from each other, primarily the coordination tools ensuring the success of overall company aims (the suitable treatment of the existing contacts) have a key role.

Company management will coordinate mainly by technocratic means (financial and controlling system: financial guidelines, cost and margin and result planning and reports, internal charge prices). Person-oriented coordinating solutions also play an important role. The thought-out selection of managers, their continuous training, the proper development of their responsibility and interest system may be of high importance in the field of their engagement with the corporate objectives, which, in turn, is fundamental for the success of divisional organisational concept.

The divisional organisational configuration is shown by the figure in its simplified form.



30. Figure

Types of divisions

Since function of divisions focus on the financial result, the divisions can practically be considered as accounting units. On the basis of the 'subject matter' of accounting - in which the financial result can be expressed - a distinction is made between cost-center, profit-center, and investment-center solutions. It is important to note that the divisions of companies operating as economic organisations – interpreted in organisational legal forms - may operate as legally standalone and legally not standalone units as well.

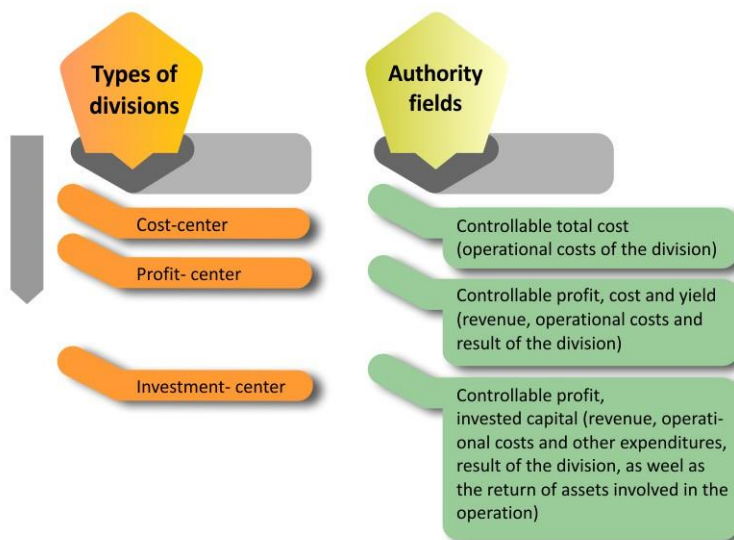
Cost-center: operates typically as a legally not standalone unit, where the primary subject of accounting is cost. The head of the division is responsible for ensuring compliance with the budget, his interest – beside the appropriate level of the designated field of activity . is to minimise costs.

Profit-center: the central element of the accounting is the volume of the profit. As a profit realisation place, it can operate as a legally not

standalone entity, as well as in the legal form of a company. In this solution the division management via its autonomous decisions and pricing policy affects the development of the profit-making, its interest is linked to the volume of the profit. In reality this is the most common type of division.

Investment-center: the management of the division receives a so-called 'capital allocation' competence, that is can make decisions within its own authority related to the use (operation, investment, etc.) of the capital (the development resources incurred in the center). Therefore, the central element of the accountancy is the capital property left to the division. The responsibility and interest are related to the capital profit (to the most efficient use of the capital). These units work typically in a society form (subsidiary companies). (*János Horváth: Management knowledge*)

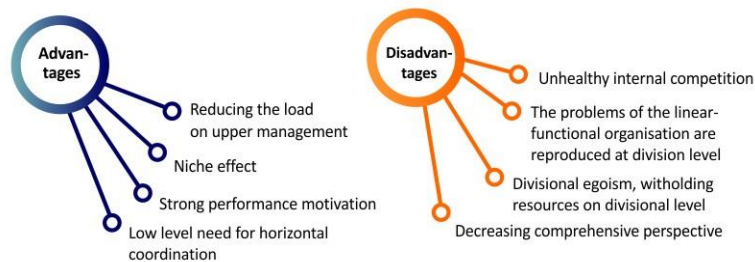
The arrow next to the following summary table indicates the increasing autonomy and responsibility of each division.



(Miklós Dobáks: *Organisational Forms and Management* 2004)

31. Figure

The divisional organisational structure has advantages and disadvantages:



(Dr. Sándor Kiss, Dr. Éva Pallai: *Organisational and Management Skills in Public Administration*. 2013)

32. Figure

2.6.5 Matrix organisations

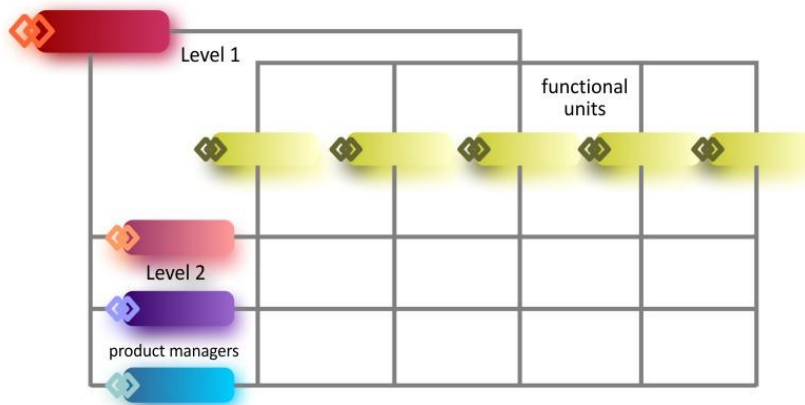
So far, in the so-called one-dimensional organisational forms segmentation is based on a single factor. The division of the company, for example, for every product (product family) supposes an implementation model - in fact, one for each -, or with the application of the regional model it builds a specific system to each region, and thus increase and give priority over the integration and coordination activities, which are necessary to the economy of the organisation as a whole. The pursuit of the dynamisation of the organisations, e.g. development of the *product manager* system, and the recognition that the majority of the problems to be solved within the companies need a multi-dimensional approach, led to the creation of the matrix-type organisations. In each case, the matrix organisation can be created, even if the resources cannot be separated economically, but the conditions of the work division based on the tangible principle are ensured. The matrix organisation seeks in particular solutions for the coordination, innovation and adaptation problems induced by the complex and volatile external environment. In the matrix organisations two work division principles are used, typically the functional along with the tangible or the regional principle. So, the matrixorganisation belongs to the family of multi-dimensional organisational forms, not as the ones presented hereabove. Although is it more centralised than the divisional model, it is more decentralised than the forms preceding it.

A matrix organisation applies multi-line direction. On the level of everyday operation, this means that, for exemple, the functional divison manager may issue instructions to the colleague working on the implementing level as well as to the product manager. There is no afore set priority order between the instructions, not like in the linear-functional

organisation solution. The coordination of a matrix organisation is ensured in many aspects by the basic structure itself, since the managers representing the various management approaches need to decide about every important issue together. Structural coordination tools are therefore less required, but they do need technocratic and person-oriented tools to ensure that appropriate managers are selected, or that the organisation could cope with the cultural challenges resulting from the matrix organisation.

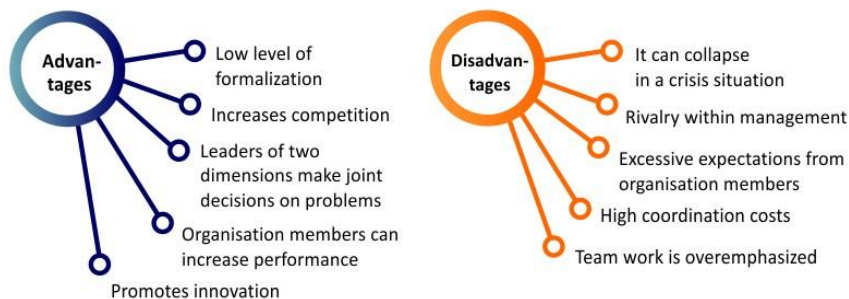
Note that beside two-dimensional matrix structures there are three-dimensional organisations as well, these organisations are called tensors.

The simplified form of the configuration of matrix organisation is shown in the figure.



33. Figure

The matrix organisational structure has advantages and disadvantages:



(Dr. Sándor Kiss, Dr. Éva Pallai: *Organisational and Management Skills in Public Administration*. 2013)

34. Figure

2.7 TEST YOUR KNOWLEDGE

1. True or false?

In Chester Barnard's opinion an organisation is the system of structured *interpersonal relations*.

2. What do we mean by organisational coordination?

2. What are the structural characteristics of organisations? /more than one answer is possible/

- A: The environment, the scope of activity and the potentials.
- B: The structural type of coordination tools are the matrix-type solutions.
- C: Projects are of high importance primarily in the decision-preparation and decision-making phase.
- D: Accountancy prices, rules and plans are technocratic coordination tools.
- E: Configuration is a primary structural characteristic.

4. Enumerate the advantages of the linear structure /minimum 5/.

5. True or false?

The disadvantage of staff organisational structure is that the leaders are overloaded.

6. True or false?

The cost-center typically works as a legally standalone unit, where the primary subject of accounting is cost.

7. Divisional organisation – Characteristics of types of divisions (more than one answer is possible/

A: Profit-centres can only control the profit/revenue..

B: In profit-centres the management also receives a 'capital allocation' competence.

C: Divisional organisations – with regard of the company as a whole – are characterised by the decentralisation of the decisions.

D: In investment-centres the central element of the accounting is the capital property.

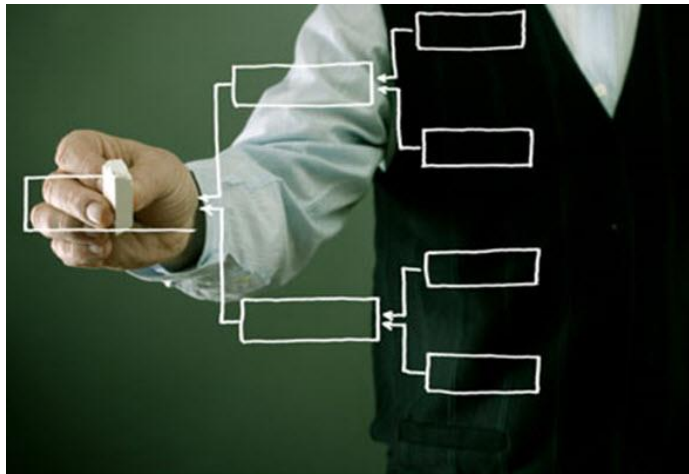
E: In investment-centres the primary consideration is minimalizing costs.

8. Compare the advantages and disadvantages of the divisional and the matrix organisations /essay/.

MODULE II

**ORGANISATIONAL CHANGES AND THEIR
CHARACTERISTIC FEATURES**

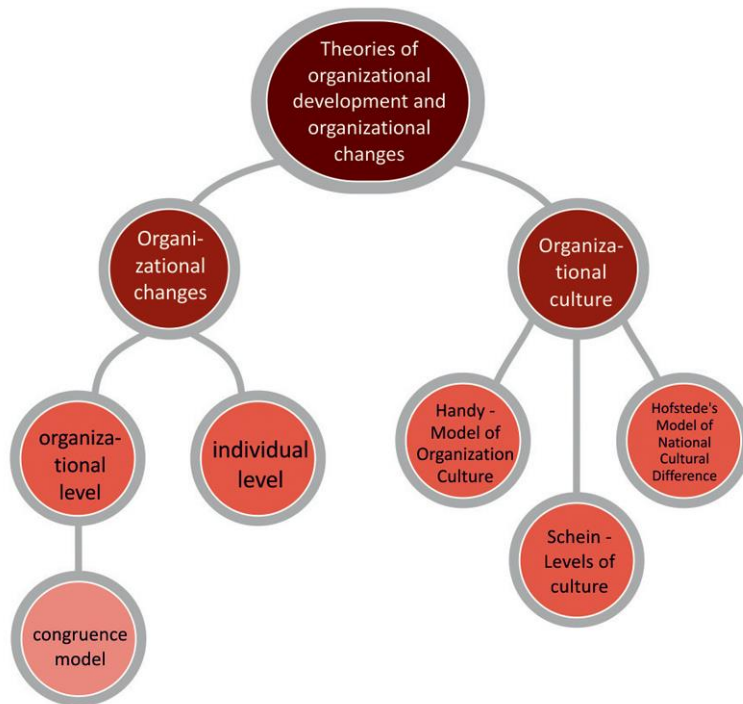
3. CHAPTER 3: BASIC ORGANISATIONAL DEVELOPMENT AND ANALYSIS OF ORGANISATIONAL CHANGES THEORY



35. *Figure*

Organisational development and organisational change are kin concepts, and while the former defines its goal in increasing the operational efficiency during the reconstruction of organisations, the latter suggestion only implicitly the connection between the increase of efficiency and changes. The theory of contingency points out that in the background of organisational changes can always be found the desire that the organisation could give a better response to changing environmental challenges. Those organisations alive longer, and develop, which are able to adapt successfully to the environmental and economic changes.^[3]

In the terminology of the Anglo-Saxon literature of management, an organisation means the whole and complete company or organisational unit with its processes, technology, human and other resources, all together.^[8]



36. Figure

3.1 THE CONCEPT AND CHARACTERISTICS OF ORGANISATIONAL DEVELOPMENT

Today, it is a requirement for most organisations that under the rapid changes of business environment employees and groups are set in the same direction in order to achieve the objectives more effectively; knowledge-sharing, communication and the uniform organisational culture must stand in the focus. For these planned and organized efforts the organisational development is to provide tools, programmes and models, which is a new field for both work psychology and organisation theory.^[8]

Beckhard (1969) defines organisational development as an effort planned, organisation-wide, managed from the top to increase organisation effectiveness and health through planned the organisation's processes, using behavioural-science knowledge.^[2]

Organisational development always affects the whole organisation, wants to achieve the change of the whole system with the involvement of the committed management in accordance with a drawn up development

plan. The management is not only involved in the implementation, but it knows the purpose of the development and ensures the availability of resources necessary for its implementation. The difficulties of a certain moment should be assessed jointly with the organisation culture, habits, values, processes, etc., and the solution proposals should be primarily sought for in the motivation, senior management, communication, conflict management, group dynamics, etc.^[8]

Its practical purpose is that the organisational form adapts to the function; if the organisation has the ability for self-renewal, its work will always be organised work depending on the task to be solved. To do this there is a need for mechanisms promoting continuous development and for the possibility of feedback, the culture of the organisation must support the cooperation, it has to create a trustful and open atmosphere in order to induce organisation development by the resolution of conflicts.^[8]

An organisational development programme may be called successful only if it is planned and if the management is committed to its implementation. Organisational development provides the conditions for the change; the process shall be based on the organisation's mission. In order to achieve durable, long-term success it should be understood that the organisational development may take long time - typically from two to three years, it. Organisational development is an action-oriented series of activities, but it does target directly at changes in the business processes, but to make an impact on attitudes and behaviour models. The launch of an organisational development programme is necessary if there is demand for the change of:

- the cultural norms;
- the roles and structure;
- the cooperation between the groups;
- the communication network;
- or the motivation.^[8]

3.2 THE SUBJECT MATTER OF CHANGE MANAGEMENT



37. Figure

We mean by management the planning, organisation, direction and administration of the human, physical, financial and IT resources of an organisation, all that in the correct alignment of the goals of the organisation in order to achieve them in an effective and efficient way. Effectiveness means that we get the desired result, and efficiency means that we do that at the price of appropriate expenditure. Management functions include the activities of planning, organisation, administration and supervision. During the phase of planning, objectives are aligned and the way is determined how to achieve them. During the phase of organisation, tasks are assigned to resources. We mean by administration imposing requirements, controlling their fulfillment, and - if it is needed – intervening in the processes. The supervisory function affects the behaviour of the members of the organisation to achieve the objectives.^[7]

Béla Pataki (2000) makes the distinction between two basic types of changes: on one hand, we can speak about first instance or morphostatic, on the other hand about second instance or morphogenetic changes. While a morphostatic change affects only the operating mode of the system and the structure of the organisation will remain the same, a morphogenetic change in contrast, will also bring in its train the change of the organisational structure.^[7]

Change management is a management field dealing with second instance changes.^[7]

As it was established in an analysis of the Boston Consulting Group, out of three initiations to change, two fails in most organisations and most of the bars against the change are usually set by those themselves who called for the change. In the following chapters you will find the

elargement of this subject, that is the knowledge which is required for making successful initiations and management of changes.^[7]

The manager is responsible for promoting the change, for managing the transition by reducing resistance, and for keeping control over the organisation. A good manager foresees, anticipates the need for change, diagnose the nature of change, and supervise all along the change process.^[1]

For understanding organisational changes, it is important to remember that organisations are in fact living organisms, which may not be decomposed, and then putting them together again to make another composition. An organisation is an occupational, organisational-political and rational resource-allocation system at one time, and every member of the organisation belongs to all the three systems. Due to their greater self-confidence, successful groups and individuals accept changes the most easily, however, they make up the minority of the organisation.^[1]

3.3 ORGANISATIONAL CHANGES

Organisational changes, in respect to their goals, are close to the classic organisational development or almost can be regarded as being the same, however, they rely on a wider system of devices compared to it.^[1]

In our changing economic environment, one of the competitive advantages of an organisation is to be able to adapt to the continuous change, which sets a huge task to the companies and their managers. This has called for, from among managerial skills that are needed for success, the ability to manage changes, a multicultural environment and cultural diversity. We distinguish two aspects of the organisational changes, which require different approaches; however, there are no sharp dividing lines between them. On the one hand, it is advisable to deal with the organisational change on the level of the individual whom is concerned by the change and who suffers it, on the other hand, processes are to be managed on a system level. To be fully successful, managers have to know how to manage the changes on both levels.^[1]

3.3.1 On the level of the individual

On the level of the individual, we basically encounter a psychological, social psychological problem when we speak about an organisational change. As the result of relocations and reorganisations, the employee's task, the content of his/her work, his/her wages, his/her supervisor and colleagues, or the work environment etc. change. When the options for the change are indicated, the individual's automatic reaction, as a

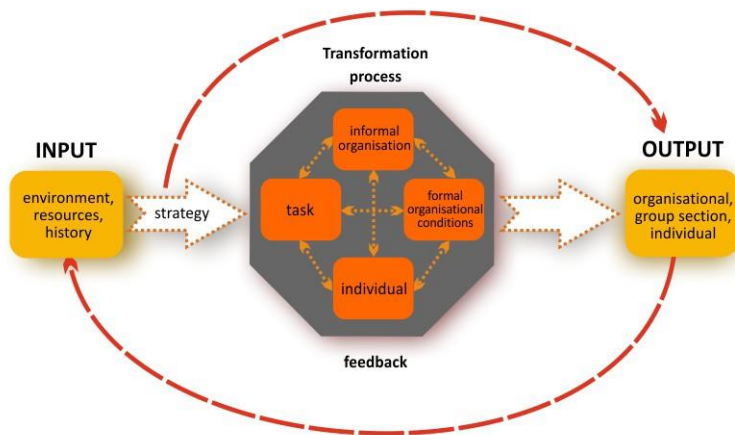
general rule, is refusal. All changes to the individual mean in themselves that he or she must get out of his/her usual environment, has to leave his/her normal daily routine and his/her comfort zone.^[1] People do not only withstand bad or harmful changes, but initially they cannot adopt changes, which are to serve their own interests. This resistance is so general and so destructive from the point of view of the change that efforts to understand them are of fundamental importance in change management.^[4] The reasons for individual resistance to organisational change, as well as the techniques to reduce them will be presented in Chapter 7.

3.3.2 On the level of the organisation

When approaching the organisational change from the point of view of the system, the problem arises from the complexity of the organisation, the correlations and connections of the components, more precisely from the fact that the change of any elements of a system will lead to the change of the entire system. But in this case, we must take into consideration the change and management of both the individual components, subsystems, and the entire system.^[1]

It is a common error that one tries to change an organisational component isolatedly, having snatched it out of its environment. To avoid this, it is worth bearing in mind the change congruency¹ model (Nadler, 1988), which is shown in the following figure.^[7] The components of the model are the input, the transformation process and the output. The initial conditions may influence significantly the success of the change of an organisation. The organisation's new strategy, due to which the transformation and the restructurilisation of the organisation will take place, is to be based on these input factors, and the result will appear as the output of the process.^[6]

¹ coincidence, agreement, congruence



38. Figure: The change congruency model

1. Input:
 - a. Environment: markets, competition, government, suppliers
 - b. Resources: capital, site, technology, people, not-tangible assets
 - c. History: key decisions, norms and values
2. Strategy: mission, support strategies, main and partial goals
3. Transformation process:
 - a. Informal organisation:
 - management practices, managerial behaviour
 - interperson relations within the group
 - inter-group relations
 - informal work organisation solutions
 - communication and behaviour modification modes
 - b. Task:
 - requirements for skills and knowledge
 - degree of uncertainty (mutual dependence, routin-likeness etc.)
 - rewards arising from work
 - work-related constraints and requirements
 - the work to be carried out
 - c. Formal organisational conditions.
 - organisational structure, coordination and management mechanisms
 - competence planning
 - methods and practices

- norms and measurements
- physical environment
- human resource management systems
- bonus systems
- d. Individual:
 - existing knowledge and skills
 - individual needs and preferences
 - reward-perceptions and expectations
 - background factors
- 4. Output:
 - a. organisational: achievement of goals, resource recovery, adaptation ability
 - b. group/section: productivity, coopreation, quality of communication
 - c. individual: work performance, group behaviour, emotional responses

The congruency theory can be useful in the interaction of the four ways of the transformation process and the aftermaths of the consecutive changes. Directly or indirectly the components have an effect on each other. The organisation is operating effectively, when its main components are in accordance with each other. In the event of changes the whole model, the reciprocal links should be borne in mind. For the compatibility of the individual and the organisation, it is important that the organisational conditions meet the individual needs, that the organisational structure be perceptable, and that the organisational and individual objectives be consistent. Individuals should carry out tasks for the achievement of which the individual has the appropriate competencies and makings, and it is important that the task motivate effort. The informal organisation must meet the individual's needs and utilise individual resources in order to achieve the objectives. It must ensure an appropriate environment to the organisational conditions to carry out the tasks, and the specific organisational structure must motivate the appropriate behaviour and work. The informal organisation-section should also foster the accomplishment of the tasks and the fulfilment of the requirements. The formal and informal organisation-sections should be consistent with each other so that their objectives, bonuses and structures support the efficient workflow.^[7]

The congruency model also draws the attention for the temporal map, since it interprets the change of a specific moment, which the organisation goes through, a single chain lonk in the chain of changes. The earlier changes within the organisation are built into his life and its history, will become antecedents to subsequent changes. This link shall

be indicated in the model as a feedback. These antecedents will largely determine how the following changes can be introduced, how the organisation will respond to the specific initiatives. Therefore, the aftermaths of the previous changes must be taken into account carefully before planning a new process, but they could uphold later successful changes.^[7]

3.4 ORGANISATION AS THE COMBINATION OF CULTURES



39. Figure

One of the possible ways to develop an organisation is to look upon it as the ensemble of cultures: for if we accept that an organisation is a construction set up by the society and held together by principles, values, norms and rituals, then these factors can be used in the management and development of the existing organisation, and also to introduce changes in it.^[1]

The organisational culture is a philosophy, a system of norms, says Schein. The staff of the company represent and accept together the basic assumptions which the values and norms are based on, which determine the behaviour models within an organisation, and which fall within the range of the organisation's policy and rules within the organisation. It is based on beliefs and common values, it has an effect on the working ambience, but on the physical layout and the visible parts of culture as well (e.g. office equipment, clothing, etc.). Organisational

culture may be existent corporations with a certain past, since it can be created on the basis of experience and learning, the members of the organisation learn it via socialisation, for which time is required.^{[1][4]} The components of the organisational culture: the determining decisions of the founding members, guidelines and mission, social structure, norms and values, stories and symbols conserved, instituted operation.^[4]

Research shows that the organisational culture converts into organisational strategy, and most professional and scientific experts say that the appropriate culture may also be the means of the success and the organisational changes of corporations.

Culture works as an intermediary variable between the organisation and its environment.^{[1][4]} Each of the countries and markets often show a different cultural image. The spread of cross-border, international firms requires an examination and the understanding of cultural differences.^[4] Several theories are known related to the organisational culture, some of which we present here below.

3.4.1 Handy's cultures^[5]

According to the theory of Handy (1986), the culture which characterises the operation of an organisation is always reflected in the corporate structure, and on the basis of this he distinguishes four structures.

Power culture: this type builds culture around a central person who represents the power in the organisation, and shows authority and influence - this person is often the 'founding father'. Activities must be carried out in accordance with his ideas and views, he keeps the most important processes under his control. The written, standardised rules are replaced by the habits and the expectations coming from the central person. The success of the organisation depends on the expertise and professional capabilities of the central person: he must make quick and flexible decisions having taken the environmental conditions into consideration. Since the power of the central person decreases with the increase of the size of an organisation, this type is appropriate for companies of smaller size or under development.

Role culture: in this case, the effective operation requires that the members of the organisation carry out precisely the pre-defined tasks: everyone has a role within the organisation. On this basis, the job and the job description are more important in this culture than the person who carries it out. Work division and the compliance with the regulations are primary for the organisation's success: the better the members play their role, the more successful is the organisation. This type of culture is typical of bureaucratic organisations, is relatively stable and is able to

work in not too fast-changing conditions and requirements. It is characterized by a well predictable and safe internal environment, which is favorable to employees of such mind.

Task culture: is a job- or project-oriented structure, the emphasis is on the achievement of the objectives. The meticulous control makes it difficult to adapt efficiently to the fast changing environmental conditions, the strong competition, however, requires that the organisation respond to challenges in time. To exploit the opportunities rapidly, competence and entrepreneurship are also needed. To this type of structure the matrix and the project-team organisations can be related.

Person culture: the central person of this type of culture is an outstanding person with special skills; the organisation itself is not really a cohesive force. In an organisation with such culture structure, hierarchy and control are missing. It is characteristic to specific organisations, such as lawyer offices and small size advisory firms, which establish a specific organisation for the organisation of the infrastructure and the allocation of the resources. Common offices are operated, but the entities work autonomously, the organisation is established for their service.

3.4.2 3.4.2. Schein's professional cultures

The cultural anthropology proposed by Schein has taken as director principle the characteristics of the various professional groups within an organisation, and based on them, it distinguished the following types:

The culture of operators: the operators carry out the basic activities; they produce the product or provide the services. At the bottom of the hierarchy, exposed to a number of instructions and interventions they develop behaviours by means of which they may attenuate the leaders' and managers' influence for changes, and can deal with the management aspirations of different functional organisations.

The culture of engineers: engineers are the professionals in charge of the operation, the systems and the rules of the organisation, who submit themselves to these rules and systems and avoid the contact with people; mostly, they do not take into consideration the problems of human behaviour.

The culture of executives: to mitigate the tensions and to resolve conflicts between the operators and the engineers, the professional group of managers was created. Their leading and managing tasks are limited to the performance, the viability and the financial results of the organisation, and people appear to them as human resources.^{[1][4]}

3.4.3 3.4.3. Hofstede's national culture typology

The advent of international and global markets and organisations justify and makes interesting the examination of the cultural differences on the national level as well. The best-known typology has been created by Hofstede, who has studied four dimensions:

Power Distance: the extent of power imbalance accepted in a specific cultural environment shows the degree of difference between operators and executives. Whether powerful, formal elements dominate in exercising the power, how obedience appears, and whether disagreement can be expressed.

Uncertainty Avoidance: this factor shows on one hand, to what extent the members of a culture can tolerate uncertainty, and on the other hand, how much they insist on the rules; whether they consider the variability and the unpredictable conditions of the environment as an opportunity or a concern.

Individualism vs. collectivism: this dimension shall give a reply to the question whether individual or group interests are more important for members of a given culture. Whether the individual desire to freedom and action is stronger, or the sense of Community and of the common objectives?

Masculinity vs. Femininity values: it shows the balance movement between typical gender properties and values in the direction femininity or masculinity depending on the specific culture. Feminine values are, inter alia, tenderness, care, sympathy, while firmness, purposefulness and strength mean manly behaviour.

This typology may offer help for the successful operation of companies in different countries.^[4]

3.5 3.5. CRITERIA OF A SUCCESSFUL CHANGE

From its current state, which carries the constraint and need for change, the organisation can get into its desirable new equilibrium state, in which is the target state of the change only through a transitional state. Thus, it shall also be borne in mind; it depends on the management of the transition plan how much the change can be considered successful. In accordance with this, significant emphasis will have to be on the elaboration, communication and management of the vision and the strategy. Quick victories can convince initial refusers to support the change. The change will be considered successful if the following criteria are met:

- the organisation has arrived from its prior state to the new required one; the planned changes have been accomplished;

- the operation of the organisation in the new state meets the expectations, it operates in a way that was intended;
- the transition took place without excessive costs arisen both for organisation as a whole and for each member of the organisation.^[7]

3.6 TEST YOUR KNOWLEDGE

1. True or false?

Those organisations remain in existence, which are able to adapt to the environmental and economic changes.

.....

2. Explain the concept of organisational development according to Beckhard's theory.

.....

3. In case of what needs is it appropriate to start an organisational development programme? /List at least three of them./

.....

4. True or false?

In Handy's theory, one type of organisation culture which may characterise an organisation is the operators' culture.

.....

5. True or false?

In Schein's view the engineers are the professionals dealing with the systems of the organisation, who take into account the human behaviour issues.

.....

6. The characteristics of the Nadler congruency model /more than one answer is possible/

A: The organisation's new strategy shall be based on the output factors.

B: The components of the model are input and output.

C: Congruency means coincidence and agreement.

D: Work-related requirements will appear in the output stage.

E: The congruency model also draws the attention for the temporal map.

7. Present the four dimensional culture typology proposed by Hofstede /essay/

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3.7 LITERATURE

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4. CHAPTER 4: THE MOST IMPORTANT THEORIES TO DESCRIBE AND TO EXPLAIN ORGANISATIONAL CHANGES, AND THEIR CLASSIFICATION

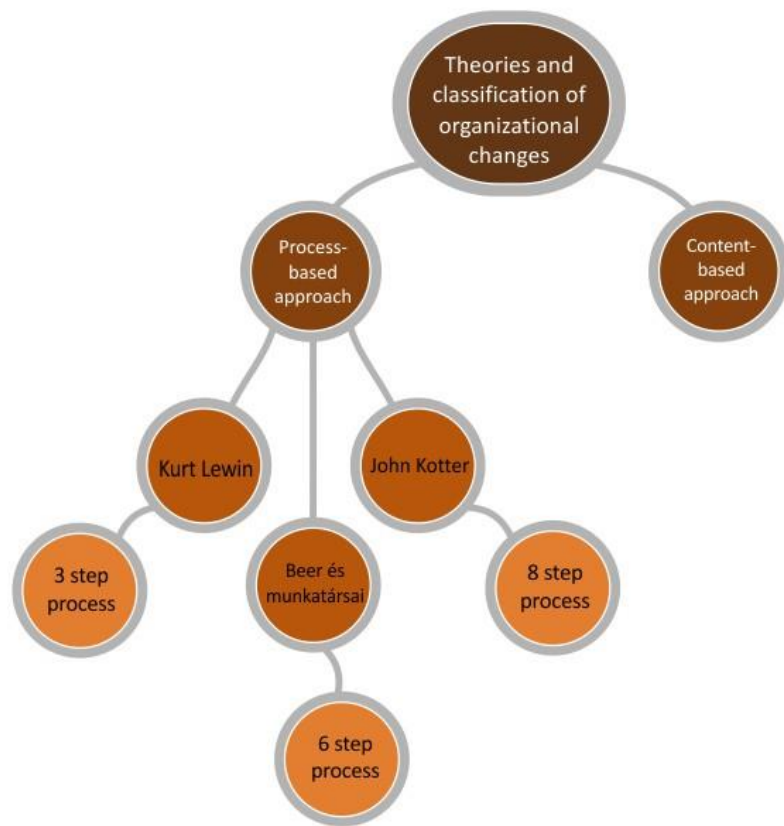


40. *Figure*

In the interpretation of the organisational changes it is necessary to make a distinction between issues related to the content and issues related to the process of the changes. In the present chapter we will discuss the the organisational changes according to these two approaches.

4.1 THE CONTENT-BASED APPROACH TO ORGANISATIONAL CHANGES^[2]

When approaching the organisational changes from their content, the focus is on the changes taking place in the important characteristic features of the organisation (e.g. operational process, technology, outcomes, structure, culture, etc.). The essential characteristics can be interpreted in specific environmental and organisational situations; what we consider essential organisational features, always depend on the organisation itself and its environment. Essential features for an organisation can only be defined at a given time, within the framework of specific conditions.



41. Figure

These essential factors determine and influence each other mutually, they are closely related to each other, so the change of one factor may affect or induce the change of another factor. In most of the cases the intensity of the change of the affected elements is not same for each factor, there are certain elements which dominate or even determine the change. Several factors may change with different degrees of intensity but at the same time, an interaction may occur between them. This interaction, however, is difficult to plan, its way and extent cannot always be foreseen or measured in advance: the determination of this complexity is the most challenging task of the organisational organisational changemanagers. The content issues of organisation changes are related to the questions what will change in the organisation and to what extent it will change. Answering the questions we can decide

which changes we can call organisational changes, and which we cannot.

4.2 THE PROCESS-BASED APPROACH TO ORGANISATIONAL CHANGES

In contrast, the questions related to the process of the organisational change examine the manner in which the changes take place and how quickly they happen, how much they are directed, how much they follow the preliminary plan, and to what extent employees and other critical operators of the organisation have been involved.^[2]

From the point of view of the process of the changes the first phase is always a prudent and deep analysis, which must also include the monitoring of the external environment. If the manager detects changes in the environment which the organisation must adapt to and must be compatible with, the following steps should also include the reactions to them. This step is followed by the awareness and the communication of the necessity for change, and by recruiting the support group^[7] - taking into consideration the expected organisational resistance. After having achieved the target state, one must not lie back, the achieved status should be consolidated, standardised and incorporated in all the enterprise processes which are affected. As part of the continued improvement and development, the final assessment, as well as the feedback cannot be omitted, as they can be an important input of the initiating of a new change or the organisational education. This, of course, does not mean that feedback plays a role only in the closing phase of the process of change: from the need for change and the birth of idea it is worth reviewing every detail of the process.^[6]

If the opportunity or demand for a change has arisen, the decision should be made which alternative of change to accept, in accordance with which one we want to carry out the change. Two groups must be involved in the decision-making: from among the crucial members of the organisation all of those who are mainly able to influence the effectiveness of the implementation; and those who will be affected by the changes.^[8] During the implementation of the change alternative, organisation members actually learn the new thinking, apply the new procedures, use the new methods or abilities.^[9] For telling how much the change was successful or effective, we use an assessment test, when the relationship between the implemented organisational change and the performance is analysed. The changes of the organisational performance into a positive or negative direction depend, on one hand, of the properness of the change alternative, and on the other hand, of the

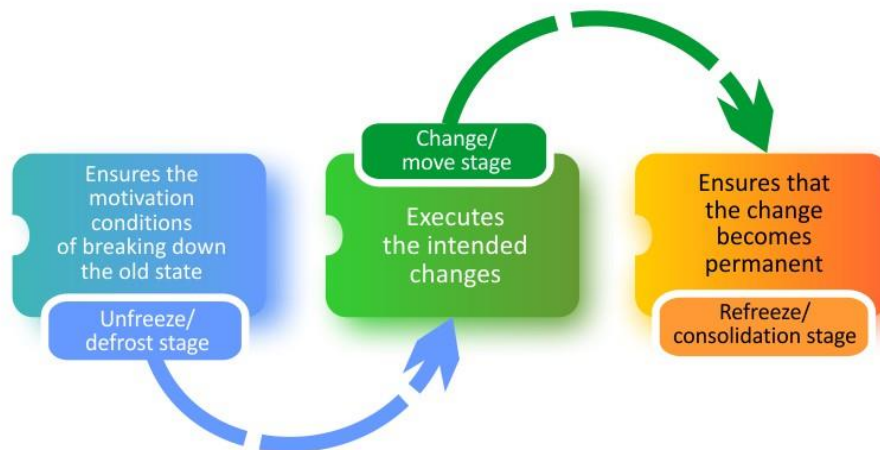
success of its implementation. It is therefore necessary to have continuous feedback, so that we could improve the errors and inaccuracies detected during the implementation in time, and so that we could modify, if it is needed, the whole change management strategy.^[2]

So, there are phases and necessary components of all changes which can more or less found in each change, and in addition, there is a specific sequence in which characterises the process of the change, and which can be explained with the help of the process models. From the countless change management process models in the literature of the field we want to describe more in detail the following ones.

4.2.1 4.2.1. Lewin

The first significant process model is related to Kurt Lewin's name, who said that in the course of the implementation of the decision taken, three consecutive step are necessary to be taken to achieve the proposed changes. The steps of the three-factor process can be seen in the following list:

1. *Unfreeze / defrost*: in this phase the conditions of the separation from the old state^[5]; things to do:
 - break down the support of the old type of attitude and behaviour,
 - multiple communication about the new values,
 - separation from the old values,
 - minimise the motivation factors threatening the changes,
 - maximize the motivation factors supporting the desired change.^[10]
2. *Change / move*: in this phase the necessary changes are to be promoted;^[5] things to do:
 - the change managers has to set a personal exemple (attitude, behaviour),
 - to facilitate the desirable attitude and behaviour;^[10]
3. *Refreeze / consolidation*: in this phase the motivation conditions for the sustainability of the change are to be provided;^[5] things to do:
 - change managers shall reward the new attitude and behaviour,
 - continuous support from the other members of the organisation,
 - separation from retrogressive members,
 - support for tolerable criticism.^[10]



42. *Figure*

The model is designed to ensure that the decisions taken meet the least possible obstacles, as well as their implementation be durable. To do this, Lewin recommends to create motivation conditions, he approaches changes from the psychological side.^[6]

The significance of this model lies in that it points out the importance of the preceding stage of the change, which will focus on the widespread communication of the need for change, the authenticity and sustainability of the old organisational characteristics and routines are called into question. Common errors are to neglect this stage and the stage of consolidation, the forced implementation of an unprepared decision and to leave it to itself. The refreeze stage, the stage of the consolidation of the target state ensures that things could not go back to 'the normal track'.^[6] Therefore, the three steps together constitute the process of introducing a change.

4.2.2 4.2.2. Beers and al.

The six-factor process proposed by Beers and al. can be considered to be an improved version of Lewin's model, for it divides the stage of unfreeze, also called defrost into three further sections. The steps of the model are described here below:

1. Search for allies
2. Outline a common vision and objectives
3. Consensus and cooperation, ensure competences
4. Implementation of the change

5. Institutionalise the change in all the organisational subsystems
6. Change-process monitoring

The first step in the change process is to search for allies, cooperating partners and coalitions, on the other hand, to the smooth introduction of the change, on the other hand, to reduce later resistance. This means the full reading, case study, on the basis of which is the jointly designated vision and objectives are determined, that the organisational change process seeks to achieve. Without the appropriate competences, skills and motivations, however, this step of the process is impossible.

This model also call the attention for an essential element in Lewi's last stage, the phase of refreeze: the change must appear in a structured and institutionalised form at all levels of the organisation and in all subsystems, in order to solidify, i.e. the change be durable and should not fall back to the initial state. The organisational structure and the operational processes should consistently reflect the changes.

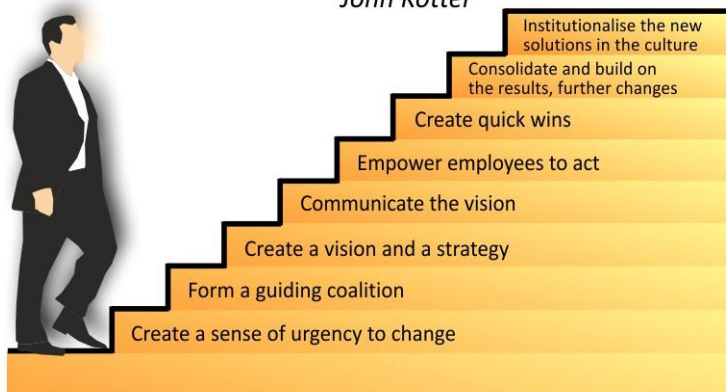
In order to ensure this process of change at all moments, the process is to be checked and monitored on a regular basis and, if necessary, to intervene and push the change in the direction of the common vision defined together.^[1]

4.2.3 4.2.3. Kotter

The change management concept of Kottler will focus on the critical steps of organisational transformation, which cannot be skipped or improperly carried out without serious consequences, the slow-down of the impetus, and without which the change process will not bring satisfactory result either.

The eight steps of a perfect change

John Kotter



43. Figure

1. Detection of urgency to change

The first stage is indispensable in order to ensure that the cooperation develop between people working in the organisation. The aim of the manager with creating a common sense of danger is to persuade the staff about the need for the change. This situation is appropriate to people to undertake an active role in the implementation of the change processes.^[4]

Most of the successful changes start with studying the company's market position, technology, financial performance, analysing the competitors' performance, examining the evolution of economic life - this is intended to support the need for change. The so found information – potential crises or great opportunities, urgent constraints to react – need to be communicated to a broad audience in order to ensure cooperation between the members of the organisation to start the development program and inroder to ensure the adequate level of their motivations, without which all efforts to change will lead to nowhere.^[3]

Members of the top management often underestimate the significance of this stage, they prove to be impatient, want to hurry up, or skip the preparatory steps. On one hand, they are afraid that the prudent preparatory initial steps will create of them the image od a hesitating, coward manager, incapable to make decisions; and on the other hand, they fear the initial difficulties, uncontrollable events and short-term failures which they may hold responsible for. For a successfully managed process of change, therefore, true leaders are needed. The

transformation often starts, when a new head is appointed at the company or the department, who can see the need for a radical change.^[3]

2. Formation of a change guiding coalition

For the working-out of the change process the merging of a team takes place in the second stage taking into account the competencies, expertise, previous posts, team-work experience of the members. The new team will be in charge of the planning of the new vision, of formulating the strategies, but to communicate the change will also be included in their tasks.^[3] The team has to be empowered with adequate force and informal power to be able to support changes with success, it is with the help of these that we can predict the hypothetical amount of resistance and identify the resources and techniques needed to reduce them.^[4]

The companies which fail in this second phase, generally underestimate the difficulties caused by change, so the importance of a strong coalition. The attempts of a team without the necessary expertise and the recognized and informal power will be undermined sooner or later by the attacks of resistant groups.^[3]

3. Creation of a vision and a strategy

The task in the third stage is to outline the vision for the future and to make the decisions. The guiding team should develop the vision to be achieved, the ultimate goal to be reached, and the different strategies for achieving this vision must be devised. The team is to develop a vision which is easy to be communicated, which facilitates the engagement and which can be attractive to customers. It is to clarify the direction toward which the organisation is to pass when changing. It joins the forces and creates the oneness of the change project.

Without the vision developed the effort to change will remain only a set of detailed procedures, directives, methods and objectives.^[3]

4. Communication of the change vision

In this phase, the management team communicates the vision and strategies developed in the previous stage to the employees by setting an example, as well as by all possible corporate media. Members of the team and managers must exploit every opportunity to present the vision.^[4] People in general - as has already been explained previously - resist the changes, therefore it is necessary to unfreeze the stiff organisational operation. A basic condition of the success is that all

subject learn about the objectives. For this, an authentic and appropriate amounts of communication is required: the message of the change must not be submitted at a single meeting or in a single written material, but on several occasions of publication; in simple and clean, comprehensible substances; and by the exemplary behaviour of visible managers.^[3]

5. Empowering employees

In the fifth stage, the employees shall be given all power, which is necessary for the implementation of the changes, and they should be encouraged to realise their own ideas, to declare their free thoughts, because this is the momentum which carries forward the change. The task of removing the barriers includes the broadening of the scope of the employees' competences and also raising their level of responsibility.

Sometimes the problem lies in the organisational structure; the narrow job categories are hampering productivity. In the first half of the transition process, in lack of momentum, force or time it is not possible to remove all the obstacles, but the organisation should get rid of the major ones so that it could provide conditions in accordance with the new vision. Action is required in any case, because on the one hand, the authenticity of the change should be maintained, on the other hand people need to be empowered.^[3]

6. Quick wins

Since the change process does not begin and end from one minute to another, the task to maintain the level of people's commitment, dynamism and motivation must always be kept in mind. In the initial stage of implementation spectacular success has an extraordinary significance.^[4] On the path leading to reach the ultimate goal, intermediate goals must be found, which – when achieved – allow the parties to be rewarded, so the performance achieved so far may become tangible for them as well. Spectacular and clear results are needed, which do not ensure the final success of the change, but they are understandable signs of the change process to everyone.^[3] Short-term results confirm the faith of the participants in the changes, and perplex the 'resistance'.^[4]

The impetus may be broken, if there are no short-term objectives, which can be achieved and celebrated, as, in lack of quick victories, a lot of people give up, to strengthen thus the resistants. However, to achieve this needs activity; managers are to seek actively ways and means to achieve performance improvements, and to reward the achievement of the defined objectives. Short-term wins coerce managers, who work

under pressure, which can help to maintain the commitment to changes.^[3]

7. Consolidation of results and further changes

The satisfaction felt over the first successes may create an opportunity to enhance pace.^[4] At this point it is essential to improve the small changes achieved in the previous stage, and to eradicate the sideways of the change, in order to ensure that all resources, energy and attention be focused on the ending of the main change process. The role of the controllers become more pronounced; therefore, the most committed people are to direct the change, who are able to keep the process in its main stream. Because managers often make the mistake to cry victory after the first signs of performance improvements – that is too early. The new approach may return to its old state as long as the changes are not anchored deep into the organisational culture, which can take a longer period of time.

Instead of the publication of the final victory, the credibility due to quick success should be used to fight greater difficulties.^[3]

8. Institutionalisation of the new solutions in the culture

The new behaviour models are to take root in the social norms and common values of the organisation in order to ensure that the changes not fade when the constraints of change do not exist any more. In this, two factors play an important role in particular: on the one hand, the emphasis put on the relationship between the achieved successes and the changes, on the other hand, the commitment of the new manager generation to ensure the newly acquired behaviour models.^[3]

4.3 TEST YOUR KNOWLEDGE

1. Give a short presentation of the content-based approach to organisational change.

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2. True or false?

In the process-based approach to organisational change the feedback cannot be omitted.

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3. True or false?

In Lewin's unfreeze/defrost phase, setting an example by the decision-makers is needed.

.....

4. True or false?

The three-factor process model by Lewin focuses on the importance of the change.

.....

5. True or false?

One of the steps of the six-factor model proposed by Beers is the change process monitoring.

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6. Explain Lewin's refreeze stage.

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7. The concept of change management by Kotter (more than one answer is possible/

A: In the second stage, the outline of the future steps takes place.

B: The consolidation of the results and the achievement of further changes mean the last phase of the concept.

C: The impetus may be broken, if there are no quick victories to celebrate.

D: Empowering employees is not necessary for the changes.

E: Without a developed vision the endeavour to change will remain only a set of objectives.

This image shows a full page of white paper with horizontal dotted lines. The lines are evenly spaced and run across the width of the page, providing a guide for handwriting or typing. There are no margins, text, or other markings on the page.

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5. CHAPTER 5: THE CHARACTERISTICS OF PLANNED AND NON-PLANNED ORGANISATIONAL CHANGES; DETERMINISM AND VOLUNTARISM IN THE FIELD OF ORGANISATIONAL CHANGES

As we saw it in a preceding chapter, the organisational changes can be divided into stages and steps, a sequence of events may lead the organisation from the initial starting point to the desired target state. If time is assumed linear, the sequence of the events suggests that the change can be planned. In this case, the causal coherence of events shall determine the change. On the level of the individual, this leads to a voluntary approach, the manager feels that things are going according to his will, he will direct the events. In contrast, if it is impossible to foresee and plan the events, but they occur at an unpredictable time and place, the direction of the process of change management could be released from the manager's hands. He cannot do anything else than to respond to and to intervene into the events *post factum* - this is the deterministic approach.^[2] In this chapter we shall present two types of changes grouped along these two points of view, that is the planned and the non-planned changes, as well as their characteristics.

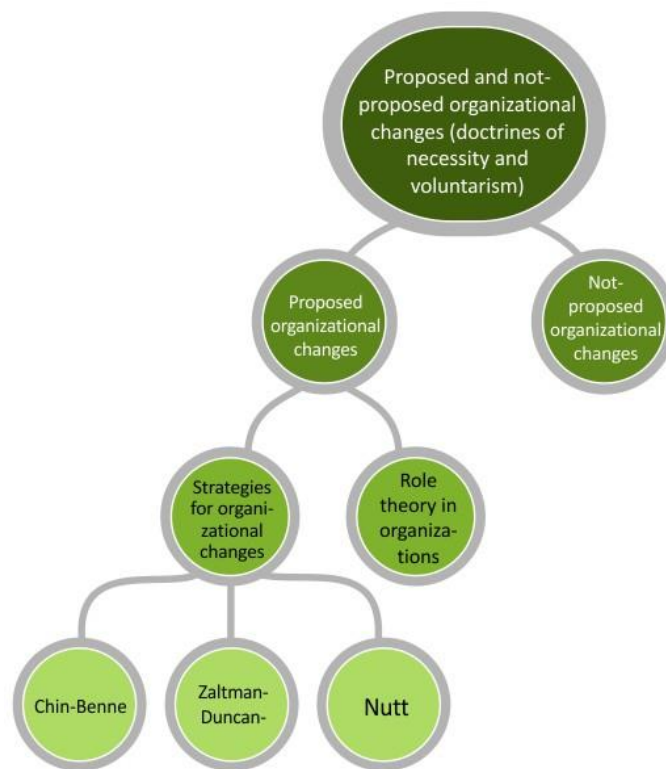
5.1 5.1. THE PLANNED CHANGE

Corporations are trying to reinvent themselves. The planned change describes the process of the systematic introduction of new behaviour models, structures and technologies needed to formulation the problems and challenges, which an organisation faces.

Change management – in a micro-view approach - deals with the changes initiated by the members of the organisation management. In its scope are included the deliberate, purposeful organisation changes, with which the organisation wants to respond to the challenges generated by the environment and its own internal operation. The planned organisational changes represent the intent of the managers and employees that as a result, it will evolve the adaptive ability of the organisation and the behaviour of the individuals will change in compliance with that.^[6] (Cf. Karoliny et al., 2004. p.389)

One of the features of change management is that it considers as organisational change only the reforms, which take place due to the conscious intervention of the management of the organisation, or accompanied by it. These so-called planned and directed organisational changes assume a conscious management activity, that is, the managers

know why they started, where they started from and where they want to arrive. Theories and methods related to change management almost without exception deal with these types of changes. They assume a stable, clear, transparent economic environment; consequently each event can be measured, calculated and modeled. The need for the change can be understood after a simple and reasonable consideration of the external-internal factors and on the basis of the causal relationship between events. The change process can be planned, directed and held under control.



44. Figure

So, here is a short list of the characteristics of a planned organisational change:

- at least one of the essential characteristics of the organisation will change;

- the change exceeds a certain size (this depends on the purpose and depth of the specific study);
- the organisation's management directs or, at least, influence consciously the direction and progress of the change.^[5]

To this, however, the clearly defined role that the members of the organisation play in the ongoing change process is also needed.

5.1.1 5.1.1. The role-approach of the change

The model by Conner will be presented here below, according to which the following four types of typical participants can be distinguished in a change process: sponsor, agent, target and advocate.^[7]

Sponsor: the role of the sponsor is held by the persons or groups who have the power to approve the change and to sanction it – either to reward or to penalise. They decide what changes are to be made to the organisation, they share the new priorities, at the meantime they provide adequate support to success. They are responsible to establish the conditions necessary for change, to comply and to make other comply with deadlines and with the budget. In order to be able to make these important decisions, sponsors must be in so high a post that their competence includes all stages of the change. There are two types of sponsor roles: the initiating sponsor is located higher in the organisational hierarchy, his principal role is to initiate the change, to break down the existing status; the sustaining sponsor's task, however, is to ensure the appropriate motivation level after the change starts, so that the intended changes could be implemented.^[4]

Agent: according to their role agents are responsible for the practical carry-out of the change; the success of these persons or groups depends on their ability to analyse, to plan and to implement. It is important to remember that the role of agent is to be assumed only if the necessary support and assistance are provided by the sponsors of the change. In the event of such sponsor neglect the change process is doomed to be a fiasco - regardless of the agent's activity. However, it is the agent who will be blamed for the irretrievable disaster, and so in the case where the sponsors support weakens, it is the agent's task to ask for further guidance from the sponsor: to bring modification, postponement or halt in the change progress.^[4]

Target: it is the target personnel and target groups, who have to do something else, or something in a different way in the new condition to be introduced than it had been before, or than they have been used to. They are in the focus of the change efforts, their role is undeniably important in the long-term and short-term success of the change. Due to

their key role, they need to be trained and developed to understand the change, which they go through. They can, however, make it easier to adopt the change, if they are involved in the implementation process. In this they may be helped by the informal leaders of a group or organisational unit, the so-called opinion leader targets, whose view is in particular adopted by the others. A serious impact may be made on the targets by those who trust in them in spite of the fact that they are not above them in hierarchy. But first of all, a serious and decided sponsor will be required, with the support of whom the agent can start to clarify the new tasks and expectations. It is important to explain to the targets the intended changes and consequences individually, and not to put up with trivia on the organisational level.^[4]

Advocate: it is them who want to achieve a change, but they have not got the authority to make it happen. For the implementation of their proposal, they have to obtain the appropriate sponsor approval and support in accordance with the initiatives coming from the bottom. If the change initiative starts from a sufficiently high level, the initiator can start the change process not as an advocate but as a sponsor.^[4]

5.1.2 Change strategies

In order that the change process would remain guided all through and that everyone would participate accordance with his role in it, a strategy is to be devised in order to overcome the resistance emerging against the changes, to maintain the motivation and the enthusiasm, and to achieve success. The following strategies analyse the potential means and methods from the point of view of the external sponsors and initiators of the change, and they examine how the behaviour of the affected people can be changed.

The Chin-Benne-type classic restoration strategies determine, on the one hand, the general framework of the objectives of the change to be achieved, shall draw up the ideas about the organisational structure and culture and, on the other hand, define the method by which the changes may be carried out.^[8] Three options are distinguished:

1. **Power-Coercive Strategy**: in the application of this type of tactics the leader, as he superior of his subordinates, uses his own position in order to compel his employees to accept the changes. This tactic takes advantage of the dependence of the employees, and of the fact that the power can limit resistant people in exercising their own free will and in their autonomy.^[8]
2. **Empirical-Rational Strategy**: it uses all acceptable arguments in order to convince the staff about the usefulness and correctness

of the change, relying on the common sense of the employees. In the application of the tactic members of the organisation are driven to formulate their views and opinions taking into account the logical and rational approach of the changes.^[8]

3. Normative-Reeducative Strategy: it tries to affect the employees' value system and norms by reeducation and by changing the existing values, standards and attitudes in a way that makes this new approach responsible for the change. So, this type of tactics relies on the personality of organisation's members, on their self-reflection and self-esteem; it wants to affect the identity-consciousness of the staff and the organisation.^[8]

The series of the *Zaltman-Duncan-type changes strategies* are the enhanced versions of the theory presented hereabove: the two authors supplemented the grouping made by Chin&Benne with a fourth option, the tactics related to the manipulation and the creation of preferences.^[3]

1. Facilitative strategy: applying this tactic, leaders assist those, who are already committed to the change. It assumes that the employees have already recognized the problem and have accepted the change to be carried out in order to resolve it, and are open to external assistance. The change is not a constraint for them. It is useful to apply this strategy, if the obstacles are already known for those concerned but they seem insurmountable. With time-constrained, or hard-to-position employees the facilitative strategy is not advised to be applied.^[3]
2. Reeducative strategy: its starting point is that people are rational beings, who can become committed to the change, when they realise the need for it. In order to do this, the more possible information should be sent to the concerned, however, the compulsive management of the changes is not required, a high degree of autonomy may be granted for those concerned. This strategy is proposed in the event of a significant change, however, it may be ineffective in lack of sufficient motivation.^[3]
3. Persuasive strategy: the leader tries to make his subordinates committed to changes by magnifying unrealistically its benefits, while he minimises its disadvantages. This strategy tries to influence the emotional and intellectual attitude of the employees by using not quite honest means, but by manipulating them. The manipulative game can be a two-edged sword: if it is discovered, it boosts the resistance, and it will be greater than it would have been without the application of the strategy. It is recommended to apply it in situations, when there is little time, however, the

change is radical and risky. In the state of insufficiency of resources or in cases, when there is a risk of being caught, it is not advisable to use this strategy.^[3]

4. Power tactics: it sets the means of power in the service of the implementation of changes. This strategy reduces time needed for the change and the extent of the efforts in order to be successful, however, it accrues costs due to the rewards and punishments and the conflicts. If the power position could not be maintained on long term, a return to the old state may happen. However, when narrow resources and urgent situation, the application of the power strategy may be the solution.^[3]

The Nutt's change strategies are similar to the above taxonomy; the author makes the distinction between the following four strategies:

1. Intervention tactic: it is the leader who initiates and introduces the changes by ingraining in the key figures's mind that a change is necessary. He criticises the existing system and contrasts it with the standards of the new system.
2. Participation tactic: it is again the leader who initiates the change, determines the strategic needs and the directions to proceed. The higher degree of reception is ensured by the teamwork, if the group is given the task to improve the idea of the change and to ensure the work in accordance with the plan.
3. Expert tactic: to design the change process is a task assigned to an expert. There are two possible scenarios for the change: either the managers request an expert to devise the change, or an expert recommends a change to the management. In this case, the expert has to convince the leaders about the need for a change and about the feasibility of the plan. Subsequently, but otherwise in every case, the leader will take over the change management process.
4. Coercive tactic: the change will happen in accordance with the own will of the leader: he shall communicate the tactical plan, the expected ways of operation and behaviour; to achieve his objective he uses the devices of power.

We can choose from among the tactics by answering the following questions:

- Does the application exceed the leader's competence?
- Is there a determined plan?
- Is the plan in the scope of responsibility of the leader?
- Is it a reoccurring problem?

- Can those concerned be convinced?
- Is there a body?
- Is there a need for an external expert?
- Is the implementation of the plan urgent?

The tactics and strategies as described here above can also be used to break down the resistance of the members of the organisation against the changes; however, if an inappropriate tactic is applied, additional methods may be needed. The methods of breaking down the resistance will be presented in chapter 7 of the course material.

5.2 NON-PLANNED CHANGE^[1]

In contrast with the planned, controllable changes, which can be influenced by the managers, the changes which take place not as a result of the resolution of the management but more as a result of external factors, and which generally make unfavourable impact on the organisation structure, are called by Angyal (2009) changes beyond control. The management is able to respond to non-planned changes only *post factum*, therefore, the change management methods and strategies described hitherto are not effective enough to be used for them.

Even the controllable changes as well may have effects, which may not be influenced by the management, and thus can lock up the organisation. For example, the change takes place suddenly as a shock, and the company has no preparation time. The management has to intervene immediately, and the sudden decision about the strategy is not always the one which would be needed. It is also possible that the change takes in spite of the will of the management, in vain do they make the necessary steps to avoid the situation, they will not function. If the timing of the changes is poor, we will not be able to compensate for the evolution of unfavourable circumstances. An organisation is helpless against violent interventions coming from the external environment, such as undesirable political events or power wars, which disturb the market order.

The volume of non-planned change beyond control unpredictable, but they mostly affect the whole organisation. The magnitude of the change is uncertain, and in lack of planning, it is also difficult to predict whether the change will be positive or negative: whether the organisation will be completely ruined or renewed. Usually the scope of the change is wider: it makes its impact through the organisational culture, the managers and the bodies. Non-planned changes do not only affect more than one levels of organisational hierarchy, but it also has an impact on other economic

agents, and its horizontal effects go beyond the organisation. Mostly it is an unexpected, spontaneous and quick change, the management of which may slip out of the managers' hands. If the change was caused by an internal, organisational problem or need, its processes will focus on the eradication of discontent and on the elimination of the situation or condition which is undesirable for the members the organisation. The purpose of a change due to external causes is very often submission, the constraint to adapt to an event or group which has caused the change. In the case of a sudden change, since the management does not hold control over it, the affected by the change to take the power and the responsibility in their hand, or, failing this, the company may disappear. So a characteristic feature of this type of change is that processes are not directed by the empowered and authorised management, but by those who are concerned and who assume the responsibility under the pressure of intervention.

A non-planned change could be caused by a forced step on account of a growth or decline, by a strike or work refusal or downtime, but it may be that by consequences of fraud or abuse.

5.3 TEST YOUR KNOWLEDGE

1. Enumerate the characteristics of the guided organisational change.

.....

2. True or false?

In Conner's model three typical roles of changes can be distinguished.

.....

3. True or false?

In the Chin-Benne's classic change tactics three options can be distinguished..

.....

4. True or false?

The normative/reeducative tactics shall use all reasonable arguments to convince the staff about the usefulness of the change.

.....

5. The change tactics by Zaltmann-Duncan (more than one answer is possible/

A. The educative tactic assumes that the employees have already recognized the problem, and accepted the change.

B. The manipulative tactic magnifies unrealistically the benefits of the changes, while it minimizes its disadvantages.

C. The intervention tactic may also be related to the pair of authors hereabove.

D. The facilitative tactic is advised to be applied with difficult-to-position people being involved.

E. In the power tactic is one of the best solutions in an urgent situation..

6. Present in detail the Nutt's change tactics. /Essay/

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7. True or false?

The non-planned change beyond control has usually no impact on business partners.

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8. List some of the events /minimum 3/ which may cause a non-planned organisational change.

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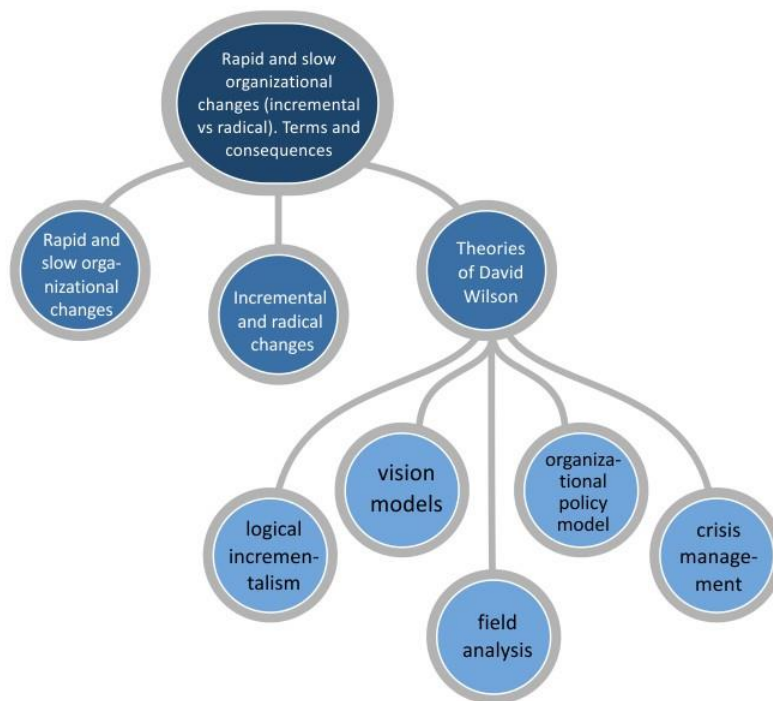
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6. CHAPTER 6: THE SLOW OR FAST (THE INCREMENTAL OR RADICAL) STRATEGIC CHANGES. CONDITIONS AND CONSEQUENCES.



45. *Figure*

While in the previous chapter we have covered the possibility of planning changes, the grouping based on their potential for scheduling and on the speed of the process of change must also be kept in mind, which was of interest for many management experts doing research in this field. The change strategy model by Larry E. Greiner, among others, should be mentioned, the central question of which is to decide whether the duration of the change is slow and gradual (evolution) or high and intermittent (revolution).



46. Figure

6.1 INCREMENTAL AND RADICAL CHANGES

On the basis of the run-off of the changes, the Hungarian literature makes a distinction between incremental² and radical changes. The essential difference between the two concepts is their extent and scope: the incremental is a lower-profile change, while the radical change affects the entire organisation. If we change only a part of the organisation or the unit, it increases the chance of failure and confusion. The department changed will behave as a stranger in relation to the organisation as a whole, thus cooperation will become difficult between them.^[4]

When incremental changes take place, only one or just a few of the organisational characteristics change, and also these changes of the characteristics are small. In general, changes are limited to a specific organisational unit, affecting one or few hierarchical levels in the organisation. Incremental changes occur step by step, they are less spectacular changes in themselves, which take place relatively slowly.

²increasing, developing

The essential aim of the change is to promote the external adaptation of an organisation and/or to improve the internal adjustment of the organisational sub-systems, structures and processes. The change is under the control either of the lower level management layer or of the top management.^[2]

In contrast, when radical changes take place, many of the organisational characteristics, or even all the factors change, and the rate of the change is very high. Change affect the whole organisation, and on all hierarchical organisational level. Changes come about by high and spectacular leaps and bounds, at fast pace. The essential aim of the change is to promote the external adaptation of an organisation and/or to create a new configuration of the organisational sub-systems, structures and processes. Radical changes can only be managed by the top management.^[2]

Having compared the characteristics of the incremental and radical changes, we have come to the following conclusions:

- the scope of radical changes are wider than that of incremental changes;
- the extent of radical changes are greater than that of incremental changes;
- the scope of radical changes are more extensive than that of incremental changes;
- A radical change affects all hierarchical levels, while incremental change only some of them;
- the mode of the change is spectacular in the event of a radical change, in the case of an incremental change it is less spectacular;
- the speed of a radical change is faster than that of an incremental change;
- the two types of changes partly share their main goal, but a radical change will leave the internal organisational structure untouched either;
- incremental changes can be controlled by lower-level managers, while radical changes are in the scope of responsibility of the top management.

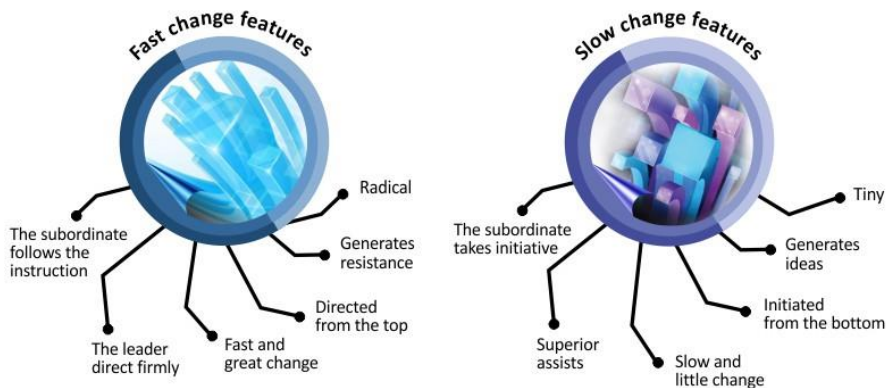
6.2 FAST AND SLOW CHANGES

However, according to the schedule of the introduction we can make a distinction between fast and slow changes. This classification also shows a feature of the company's strategy: the offensive strategy induces rapid

changes, the retractive strategy implies slow changes. Strategies for change are much more to imagine rather in a continuum than as static points; there is a long transition between the two types.^[2]

A fast change is clearly designed in order that the strategy could be followed step-by-step efficiently and seamlessly. It is worth to appeal only a few participants into the change process: the smaller the group is, the less is the dissension, the more the agreement is and the more flexible the attitude is. A rapid change seeks to break down the potential resistance in a decided manner, since there is no time for the sophisticated persuasion of the resisters. In contrast, a slow change attempts to minimize the resistance, since in the course of the long process, both the resisters' and supporters' camp go through dynamic changes and exchange of roles; the complete removal of the resistance is not possible, but it is not necessary either. So much the more, the constructive and supportive opinions may improve the process and the effectiveness of the change. It is necessary to listen to every view and idea, since the strategy for the change is initially not yet clearly designed, it is malleable and formable according to the reactions and ideas, which allows the involvement of many participants beside the initiators.^[6]

The major differences between fast and slow changes can be seen in the following figure:



47. Figure

A fast change is made, if a full organisational transformation is need to be done, the aim of which may be the management of the crisis, the elimination of serious problems or the drastic increase of effectiveness. Quick action is to be taken, if new processes should be introduced, or build something completely new. In the case of a slow change only

provisional organisational transformation is implemented, there is no crisis; only minor problems must be rectified in order to increase efficiency. To achieve this, it is enough to make the existing processes more efficient or to make minor correction to them; in case of a slow change, there is no radical transformation.

The two types of changes also differ from each other in their implementation. If we want the change to be carried out quickly, the process requires a serious preparation: prior plans should be drawn up, in which will also be set out each action and vision; supporters must be gained, and the most appropriate persons for that are the members of the management, and the key persons of the organisation. Having started the implementation of the change, there is no way back: we are to achieve rapid success with decided steps, focusing on the plan. In case of a slow change, we have a greater space to move, we can organise brainstorming discussions, which each member of the organisation may participate to and everyone's view is important. The appropriate ideas having been selected, one must find executives, who at first try out the ideas for change, only then finalise them. Slow changes are characterised by a supportive attitude, by which we aim to achieve the collaboration of the organisation.

Kotter and Schlesinger suggest that the following questions should be answered when choosing between fast and radical or slow and incremental changes³:

- What rate of resistance can be predicted, and what are its forms?
- What is the initiator's position like, and what are the resisters' positions (particularly in regard of their power)?
- Who has the information, experience needed for the change, and whose effort we can rely on in the course of implementing the change?
- What is the stake of the change? ^[5]

Answering the questions one by one the following suggestions can be done to decide the pace of the change strategy.

- With an increase in the resistance, it is worth introducing the change more and more slowly, in order to break down the resistance of the individual, group and organisational level; fast change may be achieved only in a supportive atmosphere.
- In the case of a change coming from the top, i.e. when the initiator's power is greater than the resisters' power, the faster

³ The matching of the characteristics of the changes cannot be applied generally as presented here.

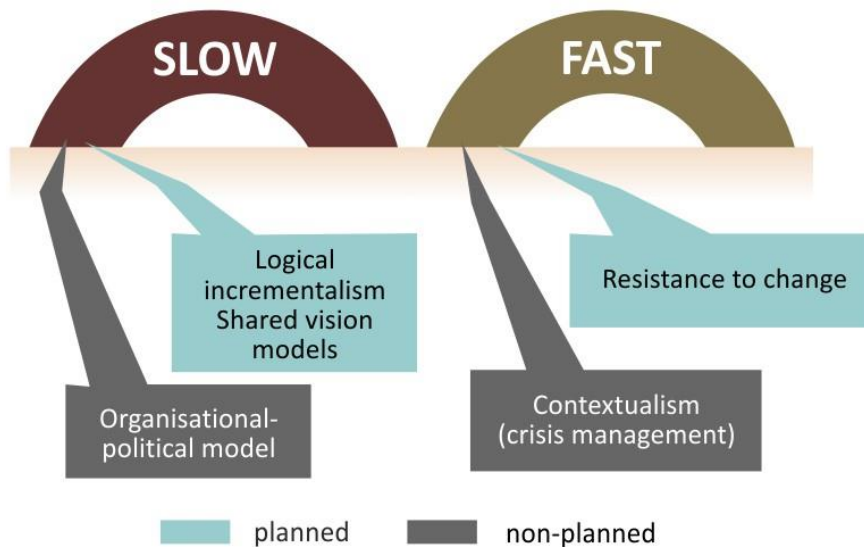
introduction of the change is acceptable; otherwise, if the resisters' position is more favorable, the change should be started slowly.

- If the the initiative and support group or coalition has the required knowledge and information for the change, the change can start quickly, as the experience and motivation needed for the success are available; however, the more the have to rely on others' assistance and efforts, the slower the change will be, since obtaining the information is time-consuming.
- Finally, fast change is also justified, if the the risk of performance and survival shows a growing trend, as in an unpredictable and changeable economic environment short and stable periods must be taken advantages of, when the entrepreneurship is higher, uncertainty is lower, and the change is thus more likely to be guaranteed successful.^[5]

6.3 DAVID WILSON'S MODEL

The types of changes studied in the previous two dimensions - design flexibility and time - are organized in the model system porposed by David Wilson. In spite of the fact that not all organisational changes can be put in the two times two matrix, this device provides guidance good enough for most cases.^[1]

Along the two dimensions, four types of the organisational changes are modelled: on the basis of time, they can be either slow or fast, or on the basis of the causal connection between the events, they can be planned or non-planned.^[1]



48. *Figure: Model by David Wilson*

In the following section, the four fields of the model will be presented briefly.

Logical incrementalism

Those organisational changes can be classified in this field, which are planned on one hand, and the process of which is slow, on the other hand. The changes is planned by the managers, however, the implementation is extremely time-consuming, long-term analyses are needed for it. By behavioural techniques and organisational-political means the manager is heading toward the goal in a proactive way, taking the initiative step-by-step. One of the characteristics of the model is that the development of the vision and the practical implementation if it essentially coincide, they are not separated from each other.^[7]

Shared vision models

Shared vision models, like the logical incrementalism, characterise planned and slow-pace processes, however, in these cases, the first step is always the vision development - separated from the implementation. The planning can also be carried out by the manager, but an expert is often requested to carry out the first phase. As the second step, the management team shares the vision with the organisation's members to

reduce resistance in the course of implementation and to facilitate the course of the change process.^[7]

Forcefield analysis

In this field of Wilson's matrix, changes are still well planned, yet time is not the primary dimension, the point is the fastest possible change. Managers plan the organisational change well in advance, and time will appear as a limiting factor in the process. Forcefield is the ensemble of opinions about a certain topic or idea, the general climate of opinion. According to the theory the initial situation a state of rest resulted from the balance of the supporters and the resisters. During the change, this state of equilibrium breaks down, and that is by the intervention of the management. There are two methods available to managers: either to break down the resistant forces or to support the promoters of the change. The forcefield analysis requires that the individuals be able to recognise and distinguish adequately forces to facilitate and to slack up the change. Kurt Lewin applied the theory in practice in his forcefield analysis, which will be described in more detail in chapter 11.^[7]

Organisation-political model

Into this square, we shall put the non-planned changes requiring a long time to take place. This type of organisational change is carried out in the fight of the internal interest groups of the organisation in a way that the final result is a balance between the fighting groups, which does not fully reflect any of the interest groups' visions, so the whole process is unpredictable. Since the fight of the interest groups may be pending for a long time until the compromise is made, the organisational change is process-like and time-consuming.^[7]

Contextualism, crisis management

This change actions belonging to this group are also non-planned in advance, there is no established vision of the future. The change processes require swift action, the occurrence of which is attributed to previous factors and to the previously accumulated tension. It is called crisis management model because their task has is to eliminate already occurred crises.^[7]

6.4 TEST YOUR KNOWLEDGE

1. True or false?

Durint incremental changes, organisational changes are limited to a specific organisational unit.

.....

2. True or false?

An incremental change is a greater change, which affects the whole organisation.

.....

3. True or false?

The scope of a radical change is more extensivethan that of an incremental change.

.....

4. Characteristics of fast and slow changes (more than one answer is possible/

- A. A slow change is carried out ion small steps.
- B. A slow change generates resistance.
- C. A quick change is directed from above.
- D. It is the subordinate that takes the initiative of a slow change.
- E. Subordinates follow the instruction in time of a fast change.

5. What are the issues that Kotter and Schlesinger suggest to be considered in the case of fast and radical or slow and incremental changes? (a minimum of 3 is required/.

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6. True or false?

Kurt Lewin's model displays four changes: logical incrementalism, contextualism, organised political model, and the resistance to change.

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7. Explain briefly the 'Forcefield analysis' model.

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8. Explain briefly the ‘Shared vision’ model.

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**MODULE III:
RESISTANCE TO ORGANISATIONAL
CHANGES AND THE BREAK-DOWN THEREOF**

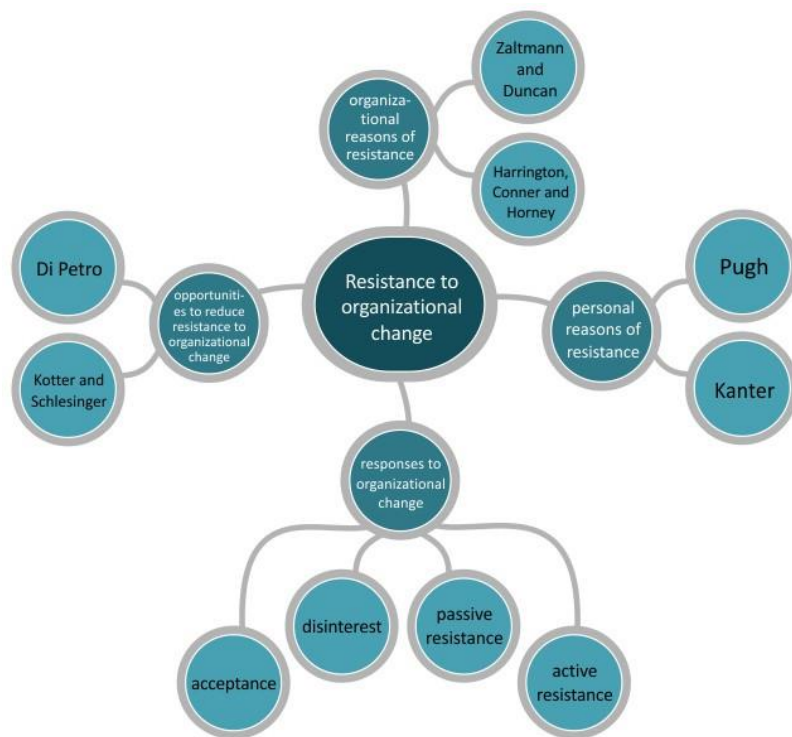
7. CHAPTER 7: ORGANISATIONAL AND PERSONAL REASONS FOR RESISTANCE TO THE ORGANISATIONAL CHANGES AND TECHNIQUES TO REDUCE THE RESISTANCE



49. *Figure*

As we have mentioned in the previous chapters (see section 3.3.1), the automatic reaction of the members of the organisation, of the individuals, is to attest resistance to changes, reorganisations and transfers. Some of them realise soon that the change may be favorable both for the company and for himself, others just accept the necessity of the changes, and there are some put up the resistance all through the entire change process. Since this resistance may have a serious effect on the organisational change processes and may also affect its final success, not the slightest signs of resistance within the organisation can be ignored. With appropriate care, communication and a strategy developed in advance, the resistance can be reduced to an acceptable and healthy level.

In the present chapter we shall examine the reasons for this resistance, and we shall present some practical techniques by which the resistance experienced in regard of the changes can be reduced. Before all these, however, we have to say some words on the possible varieties of the reception of changes: engagement or resistance?



50. Figure

7.1 RECEPTION OF THE CHANGE



51. *Figure*

Although this chapter of the course material focuses on the resistance to organisational changes, a number of possible varieties of the reception of the change – beside the absolute rejection - can be observed in the behaviour of the members or departments of the organisation.

Judson has placed the possible favourable or unfavourable varieties of the reception of changes on a scale of four and eighteen varieties as follows:

- The varieties of the four-point scale:
 - acceptance,
 - indifference,
 - passive resistance,
 - active resistance.
- The varieties of the eighteen-point scale:
 - enthusiasm,
 - cooperation,
 - cooperation due to management pressure,
 - acceptance,
 - passive resignation,
 - indifference,
 - apathy, loss of interest in work,
 - implementation of the instructions exclusively,
 - regressive behaviour,

- not learning,
- protest,
- observing every rule word for word,
- as little work done as possible,
- slow-down o work,
- personal retreat,
- ‘faults’ committed,
- production of waste products
- intentional sabotage.^{[6][11]}

The latter, finer scale shows that the reception of changes are by far not only black or white, and that more than one sophisticated version of the resistance and of its form can be seen among the behaviour models of individuals.

As a result of another practical example at the Ernst & Young advisory company, the varieties of the favorable or unfavourable reception has been divided into five categories as can be seen here below:

- *Faithful*: they are faithful to the organisation. They have confidence in the senior management, therefore, no doubt arises in them that the change is favorable to the organisation.
- *Joiners*: first they collect information about the changes, in particular, to ensure how they will be affected by the change: if the change is not too unfavourable or specifically beneficial for them, they will support them.
- *Undecided*: they put themselves in a waitning position, at one moment they support the change, the next moment they are against the same change. They hesitate, they cannot take a single position. They can be removed from their state by key persons whom they respect or recognize.
- *Sceptic*: they are uncertain and they feel they do not understand the changes well enough to judge it: for them the change may either be favorable or unfavourable. They do not believe that the change may bring the promised results. They query the management’s communication; they think that the management conceals the expected consequences. They seek to convince about their view the group of the joiners, as well as that of the undecided.
- *Naysayers*: regardless of whether the change is good or a bad, the group of naysayers fight against all kind of changes.^{[5][11]}

The causes of the reactions described above, that is, whether commitment or resistance develops in respect of organisational changes, have been summarised in six points by Conner:

1. *People do not respond to changes with the same speed emotionally as intellectually.* Our intellectual capacity necessary to observe the change, to formulate an opinion on it, as well as to decide whether to support or refuse it is much greater than our emotional capacity. The development of the emotional commitment often lags behind in time.
2. *Commitment is expensive: great price shall be paid in all cases.* The sponsors of the change, of course, would like that all members of the organisation would support their initiative. However, when they realise how much time, money and effort are needed to create the commitment, they often back down. But combating the resistance resulting from this may demand even greater expenses. The question is then, what to pay for: for the commitment or the resistance?
3. *Without an action plan the organisation's commitment will not be built.* A well-devised strategy is needed, which involves all the participants of the change process.
4. *Commitment cannot be created from one minute to another, it is the result of a development process.* Managers often try to skip the steps of this process and publish hastily the institutionalisation of the change. In such a case, the acceptance can only be reached under duress or as a result of obedience, so only the technical realisation of the change can be achieved. However, this sort of attitude towards people may induce an even greater resistance than the change itself.
5. *If commitment is not created, we had better get prepared for the consequences.* The managers of the change process are to make every effort, which required to create commitment, otherwise, they have to plan their reactions to the resistance which will inevitably hinder the change.
6. *Let us slow down to accelerate the process.* Force accelerates the implementation of the change only in appearance. At a slower pace, there is more time for open communication, for the involvement of the staff, for delegation, for the creation of synergetic work relations, and for the creation of commitment. The process will speed up, if we spend the appropriate time on overcoming the initial difficulties.^{[3][11]}

The lessons which can be learnt from the above model is that for the creation of commitment to the change much time and energy is required in order to achieve long-lasting results. The commitment of the organisation is to be established as a result of a planned development process taking place at all hierarchic levels. If these are ignored, the possibility of the development of resistance arise, the grounds of which may be formed by countless things.

Based on a similar typology, the organisations can be classified on the basis of their ability to change. In the last decades spread the view that it is not enough to focus the attention on the achievement of one particular change, but the organisation should develop its ability to change.^[11] The so-called ever-changing organisation (ECO), the model by Pieters and Young characterises all with a total of five features, four internal (stabilising base, the practice of managing for change, continuous improvement, continuous learning) and one external (environment), on the basis of which it classifies them into the following five organisational orientations.^[9]

- *Organisation abhorring changes* - this type of organisation shall seek to avoid the change, takes a defensive position against it, because changes open up the existing conditions and draw people's attention from the real job. Members of the organisation shall not be involved in decision-making, there is no authorisation, no learning or improvement, all the instructions are institutionised, coming from the top.
- *Change-resistant organisation* - shall give priority to stability, shall try to avoid the mess inherent in changes. They look constantly for counter-arguments and signs of failure. They make up their mind about a change – for the initiative of the top management or under external coercion – in the last moment, when there is no other option.
- *Change-managing organisation* - although they prefer stability, they recognise the incessantly occurring nature of changes, they accept changes and they are ready to adapt to it. They do not seek the possibility of continuous revival, but they manage the changes if they face the need for them. They shall inform people about the change decisions, which they delegate only on the middle of the hierarchy.
- *Change-friendly organisation* – they identify and remove obstacles from the path of the changes. They empower all members of the organisation to develop their workflows; they provide time and means for them to participate in the continuous

improvement and learning. They consult both customers and suppliers, the members of the organisation consider themselves as each other's internal customers.

- *Change-oriented organisation* – they appreciate and do not want to miss the opportunity to change, and in order to do this, will be monitoring the environment, their competitors, they communicate with the customers and the suppliers. They seek for the opportunities for both technological transformation and organisational development and improvement. They consider people the most important resources of the organisation, in order to succeed they develop their skills and empower them to manage their business.^[9]

The model of organisational orientations concerning changes as presented here above is of descriptive nature, and therefore the organisation's position may be good or bad depending on the circumstances. Since today's economic and technological environment shows an accelerating trend, more and more organisations had better move into the direction of being ready for a change.^[11]

In the following subchapters we shall cover the reasons for the organisational resistance located on both personal and organisational levels.

7.2 PERSONAL REASONS FOR THE RESISTANCE



52. Figure

The members of an organisation are emotional human beings. In contrast, for example, a computer, a device which can be placed from one table to another without that the operation would be a problem. However, in the event of any change affecting people primarily psychological factors must be examined.

In a mental approach to the question, the leader should ask himself, how it could be achieved that those who are concerned by the change would not resist to it. In order to obtain an answer to his question, he should discover the reasons for their fear of any changes. This may have more than one root: fear of the unknown, avoiding uncertainty, the protection of status-quo (keeping the position).^[1]

An individual builds habits to reduce the overall complexity of his environment. A change carries the risk of loss of values already provided, however, it may be a threatening to the financial interests of the organisational members, if the change involves technology and affects the performance limits (change of norms). The tendency to resist is greater, if the change also stipulates the redundancy of workforce. In this case, the resistance may be expressed by work slow-down or strikes.^[1]

As a subconscious reaction selective perception may be induced, if the correctness of our behaviour or actions are questioned, and may develop a belief, that there is no reason to change our activity or behaviour. We call 'outsider' effect the prejudiced and passive attitude, when an individual does not take part in the introduction of the new factors bringing the change, but refuses to cooperate with the leaders.^[1]

The reasons for resistance to organisational change may be multivarious. Many theories and explanations in this respect were born. Derek Pugh, an English psychologist, covers the above reasons in more detail in, his thoughts are described below.

7.2.1 Pugh's theory^{[2][10]}

In Pugh's view, resistance must be accepted as a natural psychological response. People are afraid that when the company keeps in mind only its economic interests all along its business activity. They assume that the organisation would part with its members in order to increase profit. This starting point inherently influences the individual's opinion on the change in a negative direction. On psychological basis resistance can be understood, since a change in the structure, as an unknown hazard, may make people rigid and incapable to act. If we consider personal resistance in an organisational approach, it is easy to see that the organisation is a set of interest groups and their fights. Everyone focuses on his/her weal, the present status is put at risk by

every movement. Individuals endeavor stability, which will cause that the entire organisation becomes stiff.

For an understanding of organisational changes the management should be aware of the fact that the organisation is not a machine: it is not possible to take it apart and put it together in a different way. The organisation is like a living organism. Any change is an extremely complex psychological and social-psychological process on the individual's level change. Change management and administration require broad knowledge and special skills from the management.

In order to reduce the organisational members's personal resistance to the lowest possible level, Pugh suggests the following methods in change management:

1. *Communication* - personal communication is primarily with those who participate in the change, who are directly affected by the change. The need to change and its advantages must be duly justified.
2. *Action plan* - it is not enough to draw up the nature of the change, the desired status and results. The whole process should be considered step-by-step.
3. *Involving* - it is worth to involve in the change process those who are concerned in it by the means of informal discussions and common meetings, in order to allow them react to changes and to participate in the decision-making.
4. *Open working environment* – one should never give rise to the feeling that those who are concerned should keep their opinions in secret. A reliable climate must be established, which supports the free sharing of comments and complaints.
5. *Open Manager* - the leadership also must be ready to change. Therefore, it must be open to new ideas and initiatives coming from the bottom.
6. *Monitoring* - the change process must be monitored all through its course and, if necessary, one must intervene. A featured role is given to rapid feedback, which will contribute to the continued improvement of the process.

In spite of the fact that Pugh's theory draws up the causes of personal resistance against the organisational changes in general, it may be a great starting point of a practical solution to a problem of an organisation and to understand the why's.

7.2.2 Kanter's theory^{[7][11]}

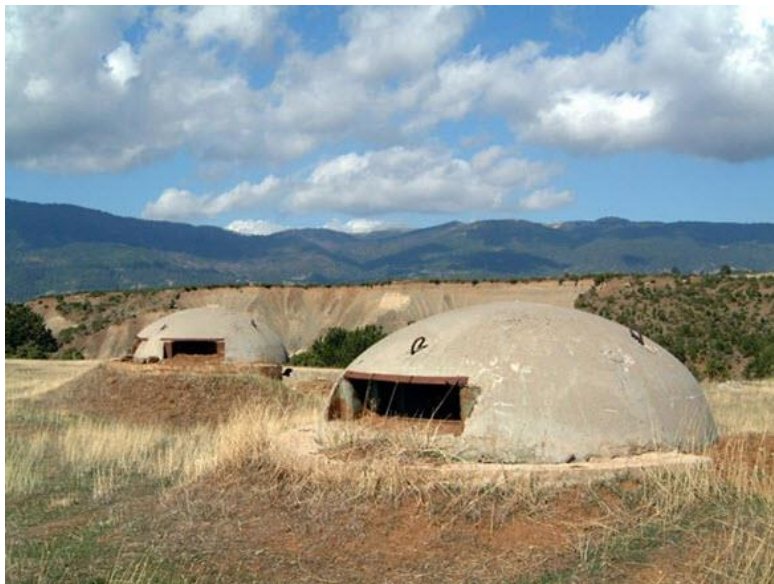
In her theory, Rosabeth Moss Kanter, American sociologist and researcher, points out ten specific causes which may be described as the most common causes of resistance to changes.

- *Lost of control* - people feel that changes are not carried out with them, only through them. To prevent this, they must be involved in the decision-making, and certain decisions can be entrusted to them. Even in the event of a unilateral decision, at least in the technical details, the appearance should be left that the members of the organisation may make decisions concerning their future.
- *Serious amount of personal uncertainty* - this is the result of the fact that those who are concerned by the change do not know exactly how it will affect them personally, and they feel clumsy in the dark. Uncertainty may be reduced by more information and explanation, with which we can find our authenticity as well.
- *Avoid surprises* - people may receive with scepticism and even hostility changes which are introduced suddenly and unexpectedly. Without information, prior consultation and planning not a single change process should begin.
- *Effect of the derogation* – carry out changes only where it is necessary. Let us respect traditions, symbols, usual things and mechanisms, which people have an affection for.
- *Losing face* - members of the organisation may feel that the newly introduced changes are an open recognition of that what they have done so far and the way they have done it were bad. We can reduce this feeling in them, if we recognize their abilities and results certified in the previous system, and if we involve them in the change processes.
- *Worry about the competence* – within the framework of the new system the amount of knowledge and experience, which was appropriate and sufficient in the old system is queried. People are afraid of not being able to make good in the new circumstances and expectations. A solution must be sought in the field of education, advice or the possibility of trial.
- *Spillover effects* - it may occur that step made in an area will have unexpected effects in another area. Making disaster recovery plans may mitigate the undesirable impact.
- *Surplus work* - all changes imply extra work, that is a fact. In order that people undertake the investment of extra energies, this fact must be recognized openly and surplus work must be rewarded.

- *Previous wrongs* - personal reasons and revulsions may trigger the resistance to change, if it is initiated by a department or group, to which previous wrongs can be linked. To be productive with the change these grievances should be brought to the surface as soon as possible and should be clarified.
- *Real threats* - the members of the organisation are right when they object to changes, which would have negative consequences for them. Real threats are not to be concealed either, those concerned should be involved in that, too: many times, the pain can be relieved only by having the possibility of choosing between one of two bad options.

Personal reasons for the resistance, however, cannot be separated from the organisational reasons, since the organisation is also composed of people. As we will see in the next subchapter - during the presentation of the organisational reasons - the two effects are closely related to each other.

7.3 ORGANISATION REASONS FOR THE RESISTANCE



53. *Figure*

The organisation itself is homeostatic, i.e. self-regulating, it tries to keep its internal equilibrium.^[1] Since a change seeks to undo a state of equilibrium change, that is to throw the organisation out of it, it provokes

a protection mechanism to begin. The reasons for organisational resistance to the change, as a result of the organisational conservatism, are to be searched for in the logical, psychological background of the phenomena.

Often happens that the perception of the organisation's management is not the same as the change preparatory manager's views, they do not feel it their own, therefore, they do not deem it necessary. The desirability of the change depends on how urgent the problem is. It may also occur that those affected by the change, subordinates and managers, come to other results from the available information – if the facts generating the change were not available for them, they do not have adequate information, thereby they found their opinion incorrectly on the ground of other facts. While the initiators of the change have a clear overview, this image is not readily available to the others. As a consequence, in particular if the proposers of the change overestimate its importance and the need for the change and if they suppose that the others will simply agree – they will encounter resistance. However, the managers interested in the change sometimes underestimate and disparage the expected resistance or set it at naught. The leaders of the changes think that the organisational barriers are rooted in the personal attitude of the other affected, while those who are involved in the situation blame the objective difficulties. This, then, is an interpretation fault: the leaders do not understand why the affected do not show enthusiasm, while these latter do not think it is their fault. These effects are difficult to avoid, since they can be traced back to other information, other perception and different emotional responses to the change.^[1]

Among additional organisational reasons for the resistance - and perhaps the most important – is the fear of loss of power positions. The changes almost always affect the power positions and this is harmful to direct interests. Resistance develops as well if the change affects the organisation's resource distribution (e.g. it triggers any layoffs and budget reduction). If the change may have consequences of such great dimension as the termination of a profession or of an organisational unit, a violent resistance is predictable from the profession or the organisational unit concerned.^[1]

The change process may also become compromised or uncontrollable if the change affects only a part of the organisational units favorably and does not extend to the entire organisational system of relations. A risk factor may be even the lack of trust, which mainly comes from preparatory error.^[1]

Indeed, these factors are mostly in the focus of organisational power structure games and political movements, so it is not a coincidence that

they are the main causes for the resistance to organisational changes at the same time.^[1]

Like hereabove, the organisational causes for resistance as categorised by some theories will be described in the following subchapters.

7.3.1 The theory of Duncan and Zaltmann^{[11][12]}

The possible causes for the resistance have been classified into four groups as a result of a joint research pursued by Gérald Zaltmann and Robert Duncan. In bullet points:

- *Cultural barriers to the change*: cultural values and beliefs, cultural ethnocentrism, profile-preservation, incompatibility with one of the cultural characteristics of the change;
- *Social barriers to the change*: group solidarity, rejection of external persons, conformity with the standards, conflict;
- *Organisational barriers to the change*: a threat to the power and influence, organisational structure, top decision-makers' behaviour, adverse change climate in the organisation, technical barriers causing resistance;
- *Psychological barriers to the change*: perception, homeostasis, conformism and commitment, personality factors.

7.3.2 Theory of Harrington, Conner and Horney^{[5][11]}

The authors have found the following most common causes for resistance to changes:

- *Lack of vision* - the interpretation of changes may become extremely erratic, if the company's vision or organisational strategy is not clear.
- *Earlier bad implementations* - the members of the organisation do not expect many good things, when new changes are announced, if they have already experienced the consequences of the bad implementation of a strategic plan.
- *Lack of support of the middle-level management* - the middle-level management does not feel the change their own and do not support it with enthusiasm, because they miss being involved in the change processes.
- *They do not understand it or do not believe in it*, a change can only be effectively introduced, if all the parts of it are clearly understood and we are committed to the implementation.

- *Minor exposure to risk* - if mistakes are too strictly penalised, or if even the lack of mistakes are rewarded, trying to avoid the risk may become a norm, which subdues initiatives and new undertakings on the long-term.
- *Consequences are not managed* - engagement to the change should be rewarded, otherwise the new instruction can remain without an answer.
- *Lack of clear communication* - information without being managed only creates misunderstanding and confusion, everyone may interpret it as he or she wants.
- *Lack of time* – one must not rush when introducing, internalising and adapting the change, otherwise mistakes in the process should be corrected afterwards.
- *Poor tracking* - it is not enough to begin the change project, it has to be monitored all through its way to see if the change or a part of it has reached the goal.
- *Lack of synergy* - if the organisation's various activities and units are not treated as a whole and the correlations of the components are forgotten about, a change initiated in one area may meet a resistance in another.
- *Inconsistency of acts and words* - problems will arise for sure, if top management activities and communication are not consistent.
- *Badly managed resistance* - open resistance coming to the surface is often denied or suppressed, so it becomes a covert resistance, which can be seriously destructive. Open resistance should be encouraged, as it is much more visible and manageable than invisible resistance.

Having clarified the causes of the resistance to changes, let us see some techniques to manage them.

7.4 TECHNIQUES TO MODERATE RESISTANCE



54. Figure

As we have seen hereabove, organisational resistance to changes could be due to a number of reasons, the recognition and management of which require special attention. For this, time and pre-planned strategy are required. To summarise, the techniques to mitigate resistance take specific actions in the following seven key fields:

1. *Education and communication* - can help to understand and to accept the change, it is an effective method to avoid misunderstandings and false information.
2. *Participation* - the contribution of colleagues and their involvement reduce the resistance and increase the commitment.
3. *Support and commitment building* – building emotional ties and creating motivation have priority.
4. *Fair change management* - changes should be carried out in a fair manner for everyone, so that no one feel in the new situation that the change has made a negative impact on his/her position.
5. *Selection of change supporting people* - outstanding attention should be paid to those employees whose attitude is more positive towards the changes, thereby they are willing to take a risk and are more flexible to the changing situation.

6. *Restrictions, forcing* - if the tactics aiming the previous elements fail, we can use means such as non-promotion, negative benchmarking or reduction of remuneration.

So, they are the main areas which the different abatement techniques are based on. Two models will be presented herebelow, among the components of which these factors can also be found.

7.4.1 Di Petro's methods^{[4][11]}

For managing the resistance to changes Di Petro recommends the following nine methods:

- *Economic incentives* – let those concerned by the change make some financial profit of it, or at least let their financial situation not fall.
- *Two-way communication* - in addition to the one-way communication, the mere information, concerns should be dealt with and any questions must be answered in order to be successful.
- *Participation* - the participants understand better the importance of a change, if they are involved in the decision-making on the change. It is difficult to imagine resistance against a change the formulation of which the participants themselves have taken part in.
- *Symbols left unchanged* - seek to ensure the least possible symbolic change.
- *Experimental nature of the change* - until there is evidence that the change actually works well, it is necessary to ensure the organisation of members of the experimental nature of the change.
- *Founding oneself on the past* – resistance reduces, if most of the new processes are based on the previous procedures. Old, familiar and best practices are a crutch on the unknown path.
- *Celebration* – the organisation of a celebration relieves tension, if all the employees begin the implementation of the changes in a good mood.
- *The slow or immediate introduction of changes* - the introduction schedule should be chosen according to the expected effects and consequences of the change. In the event of negative effects, a quick implementation is the best tactic, while with positive effects, the progressive implementation is the best.

- *Truth* - the strategies discussed so far may easily be manipulative, however, it is very difficult to regain confidence once lost. On all levels of the organisation the truth shall be said; sincerity confirms the commitment.

7.4.2 Methods of Kotter and Schlesinger^{[8][11]}

Many managers do not only underestimate the diversity of the reactions to organisational changes, but also their own power to influence the positive reactions given by individuals and groups to the change. (Cf. Kotter; Schlesinger, 2009) However, by using the six approaches proposed by the authors, resistance can be reduced or even overcome, if sufficient attention is paid to it.

- *Education and communication* – a manager should never allow that resistance be created due to poor information or misunderstanding. By informing people, answering their questions, by commenting on the planned change, this is easily preventable. The appropriate training programs may also help.
- *Participation and involvement* – by involving those who are concerned in the planning and the implementation of the change, we can enjoy double benefits: we can continue to use the expertise and information of those concerned, and we can make them committed to the implementation of the change.
- *Facilitation and support* - a helpful behaviour may be expressed in several ways: we can teach new skills to the employees, we can allow them a leave after a strenuous period or we can serve them as emotional support.
- *Negotiation and agreement* - the start of active, or an eventually possible resistance may be precluded by offering various incentives to the resisters. It should be possible to find how to encourage them, what would recompensate them for the alleged or real disadvantages of the change.
- *Manipulation and co-option* - in this context, manipulation in general implicates the selective use of information and the deliberate structuralisation of the events. One of its forms is co-option, during which a key position in the process is offered the leader opposing the change. The initiators, however, do not need the co-opted leader's advice, only its approvals; therefore, this is not the real form of participation.
- *Explicit and implicit coercion* – in extremis, the management can force the members of the organisation to accept the change by

actually threatening, dismissing or transferring them. The subject of explicit or implicit threat may be the loss of the workplace or the withhold of a well-deserved promotion.

For the successful implementation of an organisational change programme, managers should take account of the strengths and limitations of the approaches discussed hereabove, and they should be realistic when assessing the situation. To do this, the following table, which covers the approaches proposed by Kotter and Schlesinger, provides the advantages and the drawbacks as well.

APPROACH	USED	ADVANTAGES	DRAWBACKS
Education, communication	Where quality of information and information analyses is poor.	Once persuaded, people will get behind the change and help with implementation.	Can be very time-consuming if lots of people are involved.
Participation, involvement	When the initiators do not have all the information needed to design the change and others have the power to resist.	People who participate will be committed to the change and any information they possess will be integrated.	Can be very time-consuming if participants design an inappropriate solution.
Facilitation, support	Where people are resisting because they are having difficulty adjusting.	No other approach works well with adjustment problems.	Can be very time-consuming and expensive and can still fail.
Negotiation, agreement	Where someone or a group will lose out and they have considerable power to resist.	Sometimes a relatively pain-free way to avoid powerful resistance.	In most cases it can be too expensive if it alerts others to negotiate for compliance.
Manipulation, co-option	Where other tactics will not work or are too expensive.	Can be a relatively quick and inexpensive solution to resistance problems.	Can lead to downstream problems if people feel they have been manipulated.
Explicit or implicit coercion	Where speed is essential and initiators have sufficient power.	Fast and can overcome any kind of resistance.	Can be very risky if people remain angry with the initiator.

55. *Figure: Methods for handling resistance to change (Kotter, Schlesinger, 2009)*

Between the two models many similarities can be seen, they are both built on the foundation as described above. In the following section, we will cover the resistance to organisational changes in a completely different approach: the force-field analyses by Kurt Lewin.

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7.6 TEST YOUR KNOWLEDGE

1. Judson put the favorable or unfavourable reception of a change on a four-point scale of four. List these four points.

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2. True or false?

One of the eighteen elements of Judson's scale of 18, which characterises the reception of the organisational change is the degressive behaviour.

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3. True or false?

People's emotional response to changes is as quick as their intellectual response.

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4. Which of the following are included in the Di Petro's nine methods to overcome resistance to changes (more than one answer is possible/

- A. Economic incentives assist that those who are concerned make a financial profit from the change.
- B. A manager should strive to ensure that the minimum symbolic change take place.
- C. The organisation of a celebration relieves tension.
- D. Resistance decreases if most of the new changes are based on previous procedures.
- E. One-way communication.

5. What is the meaning of the "slow down to accelerate" process?

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6. What does ECO mean?

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7. True or false?

One of the six approaches proposed by Kotter and Schlesinger is education and communication, by which organisational resistance can even be overcome.

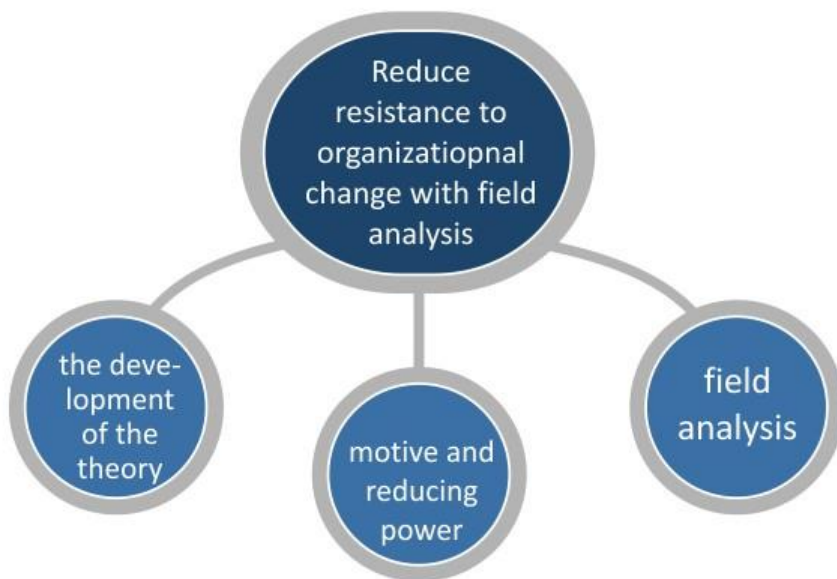
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8. Present two of the change management approaches to overcome resistance to changes proposed by Kotter and Schlesinger. (Essay)

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8. CHAPTER 8: RELEASING RESISTANCE TO ORGANISATIONAL CHANGES BY FORCE-FIELD ANALYSIS

As has already been shown in the previous section, resistance to change may put several obstacles in the way of a successful organisation change process. In order to carry out a smoother implementation, it is necessary to reduce to the lowest level possible this resistance. Kurt Lewin, who is himself was an excellent socio-psychologist, gives the technique of this, known as force-field model, which is essentially an approach based on group dynamics to reduce resistance.^[1] Lewin's theory will be presented in detail in this present section.



56. Figure

8.1 THE BIRTH OF THE THEORY^[1]

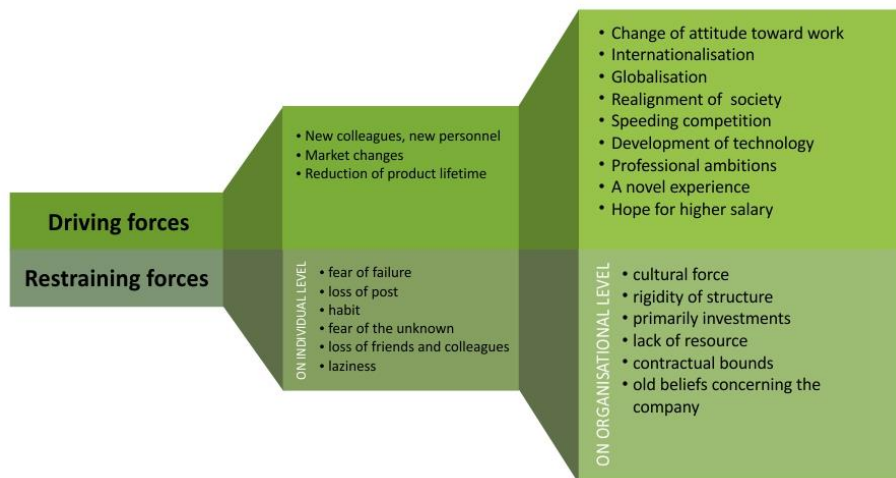
During World War II Lewin and his co-researchers examined how the American housewives' purchase habits can be modified in order to alleviate the tension occurring because of the meat deficiency. Their purpose was to talk housewives into serving cheaper innards instead of the meat dishes. They tried to convince the audience on training courses

and lectures in the first phase of the experiment. With this one-way communication of educative nature, they could produce only modest results: due to the presentations only 3% of the subjects made food with the raw materials promoted. However, in the second stage of the experiment housewives were organised into groups, and were left to talk to each other between guided frames. The quality of the communication has also been improved: communication became a two-way discussion and the instructive style has been replaced by an intimate tone of voice. This could also be seen in the results: close to one-third of the participants of the discussions prepared food with innards.

This difference is due to the fact that during the propaganda-like communication the audience is not able to engage, so they do not feel the matter their own, all through the way they regard the matter as outsiders, everyone remains passive. They make individual decisions and they are not familiar with their companions' view. In contrast, in a group discussion each participant can be informed about other views and perceptions. Within the group the binding is established by the group dynamics, the participants also make impact on each other in the decision-making, they assume an active role. There are no external factors; the members of the group only affect each other. According to the theory - paradoxically – the change of the force field depends on the force field itself.

8.2 8.2. THE FORCE FIELD OF CHANGE - DRIVING AND RESTRAINING FORCES

In Lewin's view any change can be characterised by a psychological force field, which consists of driving and breaking forces. Driving forces will facilitate the changes, while the restraining forces will impede it. The following table compares the factors which motivate a change.



57. Figure: Comparing change motivating factors [1][5]

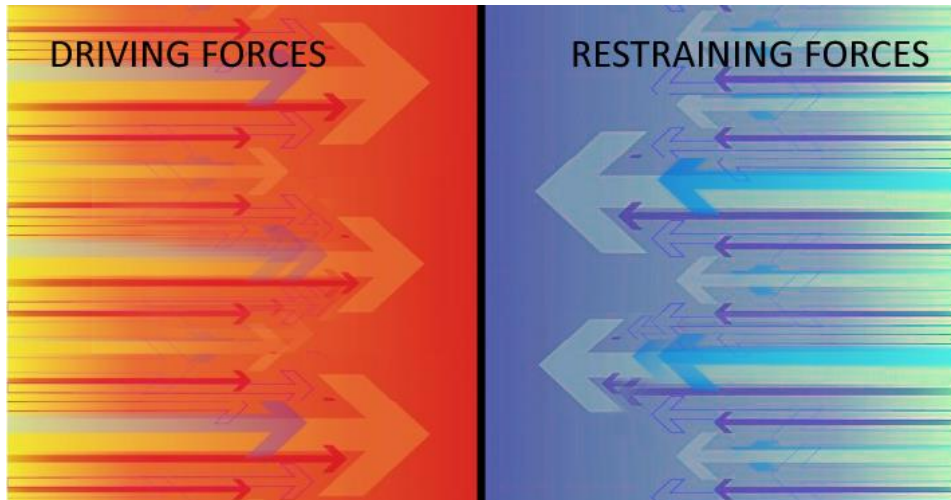
The forces of the introduction of the change, however, are not to be confused with the consequences of the planned change: the driving forces are not equal with the benefits of the change, while the restraining forces do not mean the drawbacks of the change. The benefits of the change and the disadvantages refer to the new status, to the result of the change which has already been implemented, so they shall be considered when comparing decision versions.^[5]

The drive and restraining forces are factors to facilitate or to hamper the change process, which affect the activity to lead from the present status to the planned status. There must be spent time on their examination when designing the introduction of the change, when we are trying to assess what factors are likely to help, and what factors may prevent the implementation of a possible solution.^[5]

Interesting enough that, if these psychological driving and restraining forces occur in that way - if the change does not receive enough support, or the resistance cannot be defeated - even excellent change initiatives may fail, but, at the same time, misdirected changes can also be carried out. If we cannot win those concerned, in vain are good our ideas, a puzzled, sceptic or hostile environment can prevent its implementation. The same applies vice versa: if a leader manages to deceive, bribe or threaten those who are concerned, and they trust or feel obliged to trust in the results of the change, unnecessary and even harmful changes may be performed.^[5]

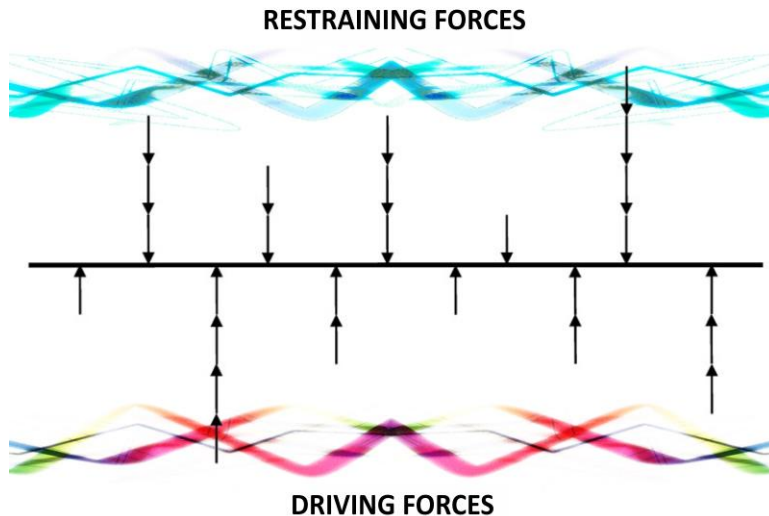
8.3 FORCE FIELD ANALYSIS ^[2]

The study of the driving and the restraining forces of a change is called Force Field Analysis. In the analysis, we examine which internal, organisational or external, environmental factors will support or hinder the implementation of the change process. When making the analysis, the graphic illustration of the forces may be of great help as well, one possible way of which is shown in the following figure



58. *Figure:* The illustration of a notional force field

The thick line in the centre shows the initial equilibrium of the organisation, which is affected by the driving forces from the left, and by the restraining forces from the right. The thickness of the arrows expresses the subjectively perceived magnitude of the forces: the thickest line represents the most sure, the most persistent or the strongest catalyst, and the thinnest restraining force illustrates the resistance which – according to our knowledge in the phase of designing the change – can be eliminated the most easily possible. As these are not forces of the same nature, the aim of the illustration is a thorough discussion of the forces and not the study of their exact magnitude. Originally, Lewin did not use the figure above to draw the force field; however, the Force Field Analyses carried out in practice have proved to be simpler if horizontal arrows are used. Because first vertical lines were used to illustrate the forces of a change, as follows. ^[4]



59. *Figure:* The traditional representation of the force field of a

On the traditional illustration by Lewin here above, the initial state of equilibrium is also indicated in a bold line, which is drawn horizontally in the middle of the figure. The driving forces point from below, the restraining forces from above – in this case vertically - into the direction of the axe in the central, with the difference in relation to the previously described figure that not the thickness but the length of the arrows tells the magnitude of the forces. For the diagram Lewin defined one unit of force, illustrated with an arrow of a unit. The more favourable effects can be calculated for a driving force or the more harmful effects are expected of a restraining force, the more increases the units of an arrow to illustrate them in the figure.^[4]

According to the Open System Theory, organisations - like living organisms - endeavour to survive and to maintain a relative balance. Similarly, according to the balance-theory, organisations are in a homeostatic state, in an equilibrium, as long as a change throws them off their equilibrium state, only to put them into a new state of equilibrium.^[1] In Lewin's view, in the state of the equilibrium, the driving and the restraining forces are in balance. From this state the dynamic movement of these throws the organisation off balance under the effect of the change. The change can take place only when the psychological driving forces excess the restraining forces. Otherwise, if the restraining forces

are in majority, the initiative for change will fall flat due to the resistance within the organisation.^[5]

As we presented in chapter 4, in Lewin's process model the implementation of the planned change takes place in three stages: unfreezing, changing and refreezing. The organisational resistance to change, that is the restraining forces and the supporters of the change, that is the driving forces are all to be activated in the first stage, in the stage of unfreezing so that we can off-centre from the equilibrium position.

Before the changing phase, i.e. during the unfreezing, we try to weaken the restraining forces and strengthen the driving forces. A frequent management error is that the leaders concentrate all energy and resources exclusively to the driving forces, forgetting the harmful impact of the restraining forces. When introducing the changes they make no attempt to eliminate or at least to mitigate the restraining forces, when in the unfreezing phase one of the most important tasks is indeed to weaken the restraining forces, or ideally to break them down.^[4] As a result, the unilateral attention to the driving forces may give a rise to the restraining forces, which may lead to the complete halt of the change. Lewin says that if we discover and gradually shrink these resistant forces, the change may take place automatically.^[1]

Thus, the Force Field Analysis turn the attention of the managers of the change to the elimination of the resistance, that is to break down the restraining forces, which is appropriate be done in the first stage, the unfreezing stage of the change. This, however, is not a simple task. Restraining forces are often difficult to be approached, it is often the case of a psychological protective system or group norms embedded in the organisational or community culture.^[2] It is therefore that the education and training of the individuals has a central role, so that they recognize the promoting and braking forces of the change.

Certain psychological research states that the resistance to the changes is due to the selective perception, which is actually a subconscious reaction: we tend to ignore the signs, which query our behaviour or the correctness of a specific situation and to overrate the signs, which confirm it. As a result an image may be created in us, which suggests that, indeed, there is no need for any change.

Nadler says that the management can resolve the core problem of the resistance to the change, if they encourage the change of individual behaviours.^[4] This cannot be achieved, on the one hand, if the current status of discontent is identified and brought to light. As long as those concerned are happy with the existing situation, they do not feel motivated enough to change. The management's task is to share

information, which points out the deviation from the current (actual or expected) operation. It reduces the resistance, if those concerned may participate in the change, if they can identify with it. This may facilitate the communication on the change, however, it is time-consuming, and can also lead to conflicts, so in different situations, different amounts of involvement may be appropriate. It is important to reward the behaviour facilitating the change. The formal and informal rewards must be connected to the behavioural forms, which are for the benefit of the change. It is a common error to recompense another behaviour than the expected one. As the change process proceeds the bonus system must be reviewed and shall be so adjusted that it is always toward the transition. Finally, it should be borne in mind that the change often gives the sense of loss in people. Being aware of the force field theory it may seem that the success of an organisational transformation or change depends on how effectively the resistance can be managed or reduce. However, this is a simplified picture. The perspective of the relationship with the change of those concerned will be extended in the next chapter.

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8.5 TEST YOUR KNOWLEDGE

1. True or false?

All change can be characterised by a psychological force field, the driving forces impede, the restraining forces facilitate the change.

.....

2. True or false?

During the propaganda type of communication most part of the audience is passive, they are not familiar with their companions' view, they consider the problem as outsiders.

.....

3 Compare the change motivating factors /more than one answer may be correct/

- A. On organisational level habit is a restraining force
- B. On organisational level lack of resource is a restraining force
- C. On organisational level realignment of society is a restraining force
- D. Professional ambition is a driving force
- E. Novelty is a driving force

4. Explain briefly what is called Force Field Analysis.

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5. What does OST mean?

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.....

6. True or false?

After the changing phase we will try to strengthen the driving forces, and weaken the restraining forces.

.....

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.....

7. True or false?

In Lewin's view, if we unveil and eliminate resistant forces, the change takes place automatically.

.....

.....

.....

9. CHAPTER 9: ANALYSIS OF THE ORGANISATIONAL CHANGE PROCESS FROM THE POINT OF VIEW OF THE EMPLOYEES CONCERNED IN IT. THE STAGES OF THE ADJUSTMENT CYCLE. THE ROLE OF MANAGERS IN THIS PROCESS.



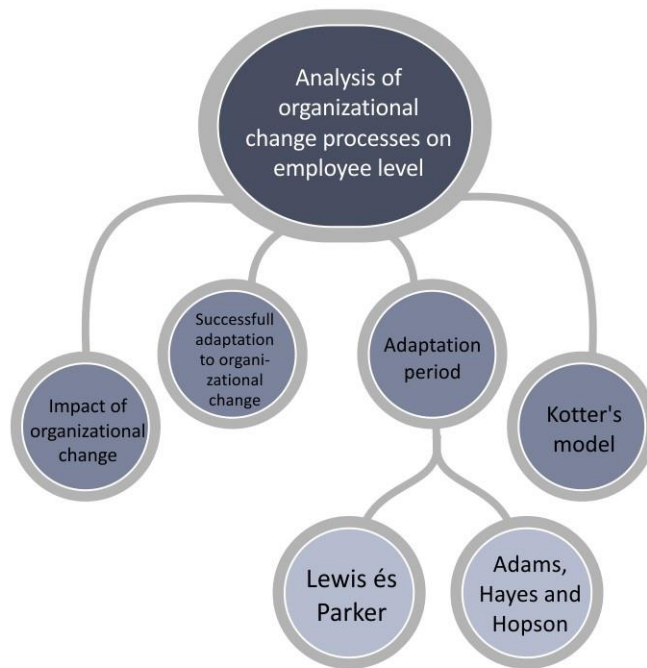
60. Figure

The study of the persons or groups affected by the change did not reveal so far much more than the recognition of causes of the resistance and the methods to eliminate them. The relationship of those concerned with the change, however, cannot only take the form of the resistance; they live with the changes, they carry them out, adopt and implement them. This adaptation process is complex and manifold. Workers may get new function in the change, new tasks may be assigned to them, they will have to acquire new skills, knowledge and practices, they may move to a new location, will be appointed to another post or their superior will be other.

The change managers are specifically licensed to analyse and thoroughly understand these processes and interactions in order to ensure that the change management both for the company and the staff be effective.

It is indisputable that the organisational change causes worry, uncertainty and stress for all concerned, even those are facing similar feelings during the change process, who manage them or who are fully committed to the changes. However, it should not be assumed that the change provokes only resistance of staff, as it may easily be that that

kind of leadership – as a self-fulfilling prophecy - will result exactly that reaction.^[2]



61. Figure

When starting the process of change there are no guarantees that the new idea, method or operation will bring the desired results according to plan. This is why it is not surprising in times of organisation changes and transformations, stress related to workplace and work, the so called role-stress is a quite frequent psychological phenomena. This could be due to a number of reasons: if we are ignored in the decision-making processes, in the lack of managerial support, while solving difficult organisational or technological tasks or in certain issues of liability, etc.^[2]

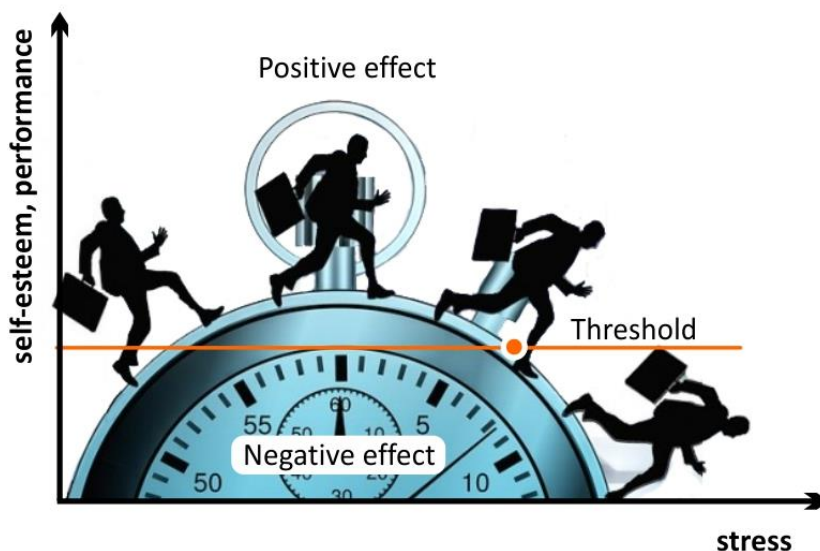
Stress and anxiety, however, have two psychological impacts on the performance. The debilitating anxiety prevents and decreases the performance, because it distracts attention from the task and the gives the sense of perplexity and of incompetence. Facilitating anxiety has the opposite impact: it ensures the appropriate level of excitement, prepares us for the task, and encourages us for better performance.^[5]

It is this interaction between stress and performance, as well as the extent of self-esteem that are connected to each other in the adjustment

cycle, which approaches the change process from the side of those affected by it. It has been emphasised several times that the design, the reception and the implementation of a change stretches in time, it is not in any way a short-going process. The same is true of the adjustment of those concerned, which is characterised by a specific cyclicity.

9.1 SELF-ESTEEM, PERFORMANCE AND STRESS ^[2]

In Carnall's theory, managers should pay attention to the variables mentioned here above: self-esteem, performance, stress and the interaction between all these in the adjustment cycle.^[4] It is worth to examine first the relationship between these factors, which are shown in the figure here below.



62. Figure: : The connection between self-esteem, performance and stress

The horizontal axis of the coordinate system shows the amount of stress, while the vertical axis shows the level of self-esteem and performance.

If we consider the stress at work, the figure also shows that under increasing stress both the worker's self-esteem and performance increase as well - but only up to a certain point. Management practices are based on this observation: for high performance stress is needed, however, stress will only behave a positive impact on the self-esteem

and the individual performance, if it reaches a certain level. At a certain point, over the stimulus-threshold, however, the stress at work will have a destructive, negative effect, which leads to a decrease in performance, a fall in self-esteem and disorganisation. Beyond that point employees feel that under the increasing stress they have lost the control of events as if they were being blown around.

When taking into account what close correlation there is between change and stress, that the increase of the depth and the dimensions of the change will increase the intensity and quality level of the stress, then the correlations found here above can be examined not only in the dimension of stress but in that of organisational changes as well. Both stress and change affect the workers' performance and self-esteem in a very similar way: up to a certain point they have an enhancing effect, and beyond that point they will make the opposite impact.^[2]

Beside the general validity of this formula we also have to note that the performance enhancing level or the maximum tolerable amount of stress, that certain threshold level is variable for individuals. People are not the same: a certain stress level that still has not got a positive effect on one worker, can be far beyond the tolerance limits of another colleague. There are individual differences in adjustment, not everyone's reaction fits the curve perfectly, but the relationship can be interpreted cumulatively on the basis on what has been outlined here above.

9.2 THE EFFECTS OF THE ORGANISATIONAL CHANGE ^[2]

Putting into operation the complex and multi-participant systems newly created by an organisational change, achieving a good performance and then enhancing it is a multi-layered, protractive process. During this, three types of effects can be distinguished, which are built on each other.

- *Learning effect* - a kind of empirical learning, i.e. knowledge learning is carried out underway, as a result of the action.
- *Warm-up effect* – immediately after setting up a new system it will not work flawlessly, at the moment of its creation it is not yet capable for full performance. To comply with the system, so that all components find their exact place and begin their useful operations, time is needed; the system can achieve the desired functioning gradually.
- *Self-esteem effect* - in all organisational change or transformation the self-esteem of the concerned are damaged, which also leads to poorer performance.

All the effects of the three factors can be seen in the decrease of performance after the change. Research establishes that the self-esteem effect can be considered as the driving force, which is resumed to be decisive in the return of performance to the old level, however, the learning and the warm-up effects may increase it.

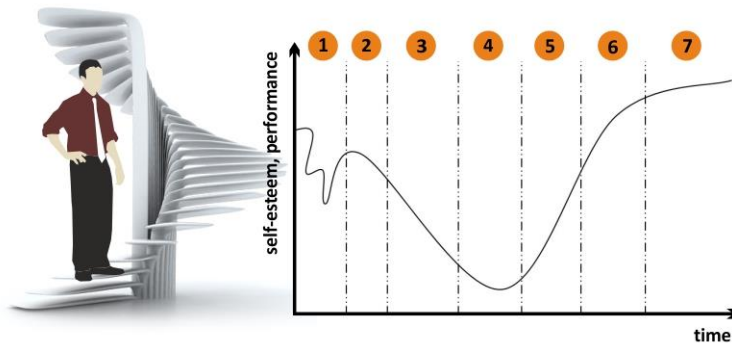
9.3 THE ADJUSTMENT CYCLE

The adjustment cycle shows the temporal map of the change effects in a graphical way: the curve places the different stages of change along the time dimension, which is experienced by the concerned employee individually in the change process.

9.3.1 Lewis and Parker^[7]

In Lewis and Parker's model, performance and self-esteem are located on the vertical axis, which are illustrated in time by a curve. The curve can be broken down into seven major sections:

1. *Shock* - the first reaction to change is immobility and stiffness, and it may cause the feeling of overwhelmed mismatch between high expectations and reality.
2. *Denial* – considering the change a minor issue and an insignificant item.
3. *Awareness* – the awareness of incompetence causes depression, frustration and difficulties in co-operation.
4. *Acceptance* – letting go the past and the acceptance of the present situation, that of the change.
5. *Testing* – testing new methods, approaches and behaviours.
6. *Search for meaning* – it is a retrospective section, in which an attempt should be made to understand everything which has happened so far in the change process.
7. *Integration* – the behaviour which has been acquired due to the change should be given a new meaning.



63. Figure: The adjustment cycle - Lewis and Parker's model

Lewis and Parker draw attention to the fact that not all who is concerned follow the usual curve, but these people may experience specific development and decline, depending on their individual circumstances in the change process. However, people love to know that the emotional downs and the nadirs which they go through, even if a change is planned and expected, are usual and inherent reactions or general phenomena. It also helps if we learn and understand the steps of the adjustment cycle and that they require time⁴, indeed, and that the process is not necessarily linear; it is also possible that the concerned slips back to a previous stage of the curve. It is easier to overcome the phases, if we already have previous experience about changes and if we are able to match past events to current changes. The most important task is to create a supportive and friendly environment, which stimulates the exchanges of ideas and discussions about the change and the specific tasks, and which contributes to help those who are concerned to overcome the obstacles of the adjustment cycle easier.

In the following section the seven phases of the model will be described in detail.

Shock

This is the first phase, when the person concerned meets the change for the first time. The feeling of shock or surprise comes from the contradiction between what the person concerned perceives and the way things really are. In can be seen in the figure that as soon as the

⁴ The entire process of the adjustment cycle may take up to 18-24 months, or even a longer period of time.

concerned finds himself/herself faced with the change, his/her self-respect and performance starts to decrease. If the change means new work or a new role at work, this downturn indicates how sure he/she is about the new challenges. The decrease in confidence is a sign that the new conditions are not performing as expected. The less known the new terms and conditions are, the deeper the curve will sink, the greater is the difference between reality and expectations. If it goes deep down to a level where the individual is unable to make decisions or take actions in order to manage the change, he/she becomes motionless and will be blocked by the shock.

Denial

It is followed by the phase of denial, during which the individual concerned comes to conclusions about the new situation in order to reduce the observed difference in the first phase. The justification or the explanation of the events will increase the individual's performance, ensuring an intellectual advantage and acquiring control over the processes. Thus, the change is not necessary, because with the work, which he had been carried out well and successfully in the past, the same success will be achieved in the future. The person concerned denies that there is a need for a change or that anything ought to be changed in the current state.

The individual level of performance may outstand or stagnate, the only way of the progress is if the concerned is able to realise the change on his/her own level. If this is done, the individual will be able to accept other people's opinion and ideas, and will accept the need to make efforts toward improving his/her performance. This process, however, goes together with the recognition of individual competences, strengths and weaknesses.

Awareness

In this phase, the individual understands his/her own real performance and ability compared to the level expected. This is an important stage, when the employee who is concerned begins to be emotionally committed, therefore, it is often combined with an increasing frustration and confusion. Attention will be given to areas defined incomplete and faulty, but maybe the individual does not know what to do in order to change or how to increase his/her performance.

Acceptance

The downward process of performance and self-esteem will stop when the concerned recognizes and accepts the existence of the new situation. This is the deepest point of the adjustment cycle. At this point should be released the habits and behaviour which were accepted are correct, efficient and comfortable, but only in the old conditions. The sense of despair and depression may be caused by the fact that the individuals do not know what to replace the old habits and the old behaviour with.

Testing

The identification of the new behaviour will be followed by their testing. The new methods and habits can be effective, may provide the desired results, however, the employee concerned must practice and enhance the new competences. A trial may end with success or failure. However, a failure may push back an individual along the adjustment curve, which raises new questions in the person who is concerned about a new practice or method. The most successful in this phase of the adjustment cycle are the organisations, where the workers are allowed to try out different methods and are allowed to make mistakes without penalty, since those concerned overcome easily the difficulties of this stage.

Search for confirmation

Having learnt from their success and failure, those who are affected are ready to search for the meaning of the new situation. In this phase everything is queried: why this specific method is effective? Will it be effective in another situation as well? Or will another method be effective in another situation? After finding the answers this summed-up knowledge will enable those concerned to have an even greater influence on their own actions, and that to make plans in accordance with the circumstances.

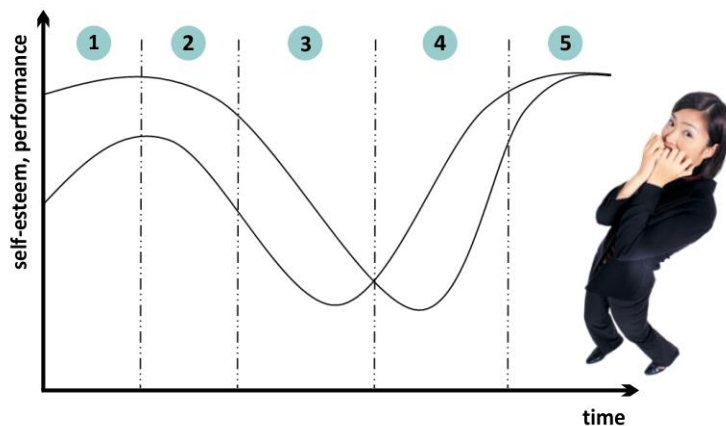
Integration

In the last phase, those who are concerned will master the recently acquired habits and behaviours, increasing their self-esteem and performance thereby – even up to a higher level than it was before. The new methods become part of their everyday life and their thoughts. At the end of the adjustment cycle there is no longer, or only very little difference between the expectations and their own perceived capabilities.

9.3.2 9.3.2. Adams, Hayes and Hopson^[1]

Compared to this, Adams, Hayes and Hopson's model does not differ in many things, and the curve traces about the same curvature. The major difference in the simplified model is that the performance and the self-esteem varies independently of each other, two different curves show their evolution. Simplification has also an impact on the number of the phases, as the latter model consists of the following five phases:

1. *Denial* - those affected deny both the change and the need for it.
2. *Defence* - as time passes, the resistance will take the form of defending the individual posts and functions.
3. *Rupture with the past* - admission of the fact that the past is to be closed, and that the old employment and tasks collide with the present. One may move forward, towards the change only by closing the past.
4. *Adaptation* – the gradual adoption of the new job, the new competences and the new environment.
5. *Full acceptance* – after the implementation of the new methods, the situation is no longer considered to be novelty, but as the usual and normal operation.



64. Figure: The simplified phases of the adjustment cycle

In the coordinate system, the horizontal axis emphasizes the passage of time and the nature of the adjustment process, on the vertical axis, however, the evolution of self-esteem and performance can be seen. From the shape of the two curves it is visible that the two factors move

cyclically in time; the peaks and the low extremities are significant. ^[2] Due to the change, both the level of self-esteem and performance fall in comparison with the previous level, but after description of the cycles they get back to the old level. However, the two curves follow each other with a phase shift: self-esteem runs forward in time and changes at first, then, it is followed by the performance, which follows the movement of the curve. The management can only have effect on the increase of the performance, when they have restored the self-esteem and the self-confidence of those who are concerned.^[2]

Denial

The most common first reaction to major organisational transformations or changes is that those concerned deny the need for change. They claim that what works well, is not to be changed, and which, in turn, has not work properly so far, shall not work even after the change either!

In this phase, people's self-esteem somewhat rises, what is due to the fact that the individuals suddenly begin to assess their current posts, habits and skills. The danger which comes from outside and threatens the circle of old colleagues causes a greater group cohesion. In spite of the fact that their self-confidence increases, their performance is not likely to boost, as the new energies are devoted to the organisation of the resistance. This scenario is only activated when there is time for the assessment of the events. If the change is introduced suddenly, which is followed by rapid redundancy, both self-esteem and performance start to fall immediately.

It is the management's task to communicate the inevitability of the change clearly and unambiguously. To demonstrate the urgency and the need of the change is an important part of the first phase when approaching it from the side of the management.

Defence

As time passes by, the outlines of the change plans spoken of so far only in general terms, start to be seen more clearly, it is known what specific programs they will be manifested. Those who are concerned will be forced to apprehend that their work and working environment will go through a change, which they will have to cope with sooner or later.

Since it is very difficult to understand and it is even more difficult to accept the changes, this phase is often associated with worry and frustration. Feeling powerless, all those involved in the change will try to protect their own positions; they will endeavour to prove that all should

remain the way it is. This is likely to gain some extra time to prepare and to work out their adjustment strategy.

As shown in the figure, the process of defence may be monitored at first through the steep decrease of self-esteem and self-confidence, and then through a spectacular decline in performance. It is to note that the phase shift of the two curves occurs at this stage for the first time.

The management shall be responsible for exercising a pressure in the direction of the change with all those who are not yet on the side of the change. If needed, the active resistant employees should be addressed individually with specific questions.

Rupture with the past

The prerequisite for the full adoption of the new features is the rupture with the past, with all the old things. While in the previous two phases meant the defence of the past, in this phase those involved will release the past gradually and look forward to the new things. This, however, is a complex cognitive process. The facts are admitted by those concerned that the pressure and the anxiety tend to exceed the limits of tolerability. They also recognise that the future, which at first they had seen so fearsome perhaps is not so terrible. Despite the fact that the self-respect of the concerned reaches its lowest point in this stage, their self-confidence changes direction at this point and begins to increase.

The management shall be responsible for providing time and support to this process, while showing much discretion towards those who are concerned. It is desirable to give place to the period of grief, when the employees concerned take farewell of their past.

Adaptation

This is the adjustment phase. New systems rarely operate perfectly at the first time, tests and trials are required, which are carried out by the workers themselves. They will try themselves, the new methods, and what it is like to work in accordance with the new behaviour. While learning they must explore the potential problems and look for solutions to them. In spite of the fact that everyone feels like doing the job, the experimentation consumes serious energies, which may result frustration, in particular, if the attempt is a failure. The emotions will only be due to willingness and diligence.

In this phase, the management is to watch the events from the background and let the employees try out different solutions freely in order to ensure the smooth operation of the new system. However, it

must be ensured that help, training and advice be available for all those who are concerned.

Full acceptance

By the time the change arrives in its last stage, the employees concerned have already tried and learnt the new working procedures; they understood and mastered the new situation. As a result of the whole process from now on the newly created standards of conduct will be the determinants of usual behaviour at work.

The management's task is to strengthen the new situation, which from now on is considered to be the normal track in the course of business.

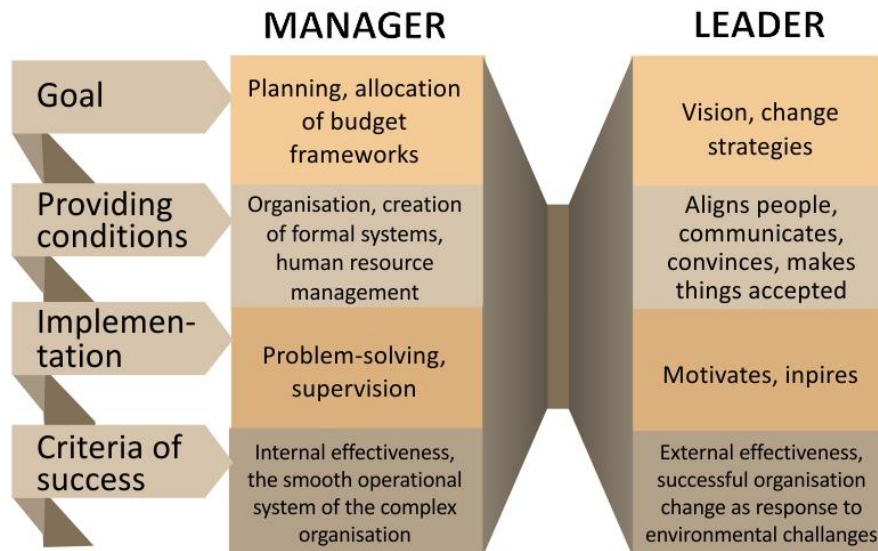
9.4 KOTTER'S MANAGER-LEADER MODEL ⁽³⁾ (6)

Many theories and typologies of management have been established about management roles, Kotter's approach, however, makes a distinction between these roles in a more practical way than others do. He defines two complementary leadership roles: the manager's role and the leader's role.

A leader in his/her managerial role has to cope with the organisational complexity; he/she creates order and an internal consistency, which ensures the success and the quality which is wanted. The result of the role successfully fulfilled is efficiency and regulated operation.

In contrast, the leader's role focuses on the necessary changes. The need for organisational change is brought into being by the constantly changing environment, the close competition and the continuous technological progress. The efficiency of the leader's role is measured by a successful organisation always able to renew by the recognition of environmental challenges and the appropriate responses to them.

Both in the managerial and the leader role it is necessary to specify the actions and the objectives, it is necessary to create the conditions for their implementation and to ensure that the job should be completed. The main differences between the two roles are shown in the table here below.



65. Figure: The main differences between the managerial and the leader roles as Kotter defines them

(Source: Gy. Bakacsi, 2004)

The question may arise which role is more necessary for an organisation. The two roles presented here above are complementary and an effective executive must maintain control of the organisation in the symbiosis of both roles. Each leader needs to exercise the managerial role as well, if he/she wants to be successful, and vice versa. For a person only focal differences may between the two roles for the benefit of one or the other role.

9.5 CONDITIONS FOR THE SUCCESSFUL ADJUSTMENT ⁽²⁾

The adjustment process imposes requirements not only to the management and the leadership, but it also expects in-depth self-understanding from those who are concerned by the change, which is the fundamental requirement of a successful change. In order to do this, those concerned should be able to answer the following questions:

- What has happened? What is the essence of the change? How does the new system work? What are my tasks in the new job? What requirements do I have to meet?

- What skills and experience do I have? What I would be still able to achieve? What other skills could I acquire? What do I want to do actually? How could I take advantage of the change?

As we have presented with the two models, during the adjustment cycle the self-esteem and the self-confidence of those concerned are reduced, however, much must be done by the individual for the recovery from this loss. The most important is to let the past go and to concentrate on the future, to face the new challenges. Our attitude can change a lot about the outlook.

The organisational change and adjustment to the change is a so complex psychological and socio-psychological process, which can be successful only if those who are involved in it cooperate and support each other mutually. (Cf. B. Large, 2008)

9.6 9.6. BIBLIOGRAPHY

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9.7 TEST YOUR KNOWLEDGE

1. What does role-stress mean?

.....

2. True or false?

The facilitating anxiety will ensure the appropriate level of excitement, and it encourages to performance.

.....

3. True or false?

Under increasing stress the self-esteem and the performance of the employees are reduced in all cases.

.....

4. True or false?

C. A. Carnall has studied the relationship between self-esteem, performance and stress, and used a coordinate system to illustrate it.

.....

5. True or false?

The warm-up effect is a kind of empirical learning, where knowledge is acquired while performing.

6. The six characteristics of the performance and self-esteem curve by Lewis and Parker /more than one answer may be correct/

- A. It can be divided into seven major stages.
- B. The second stage is denial, the disparagement of the change.
- C. The third stage is acceptance, rupture with the past.
- D. Integration is a retrospective stage.
- E. In the testing stage, new methods/approaches are carried out.

7. Present the model by Adams, Hayes and Hopson. /Essay/

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8. Explain the differences between the roles of a manager and a leader /Essay/

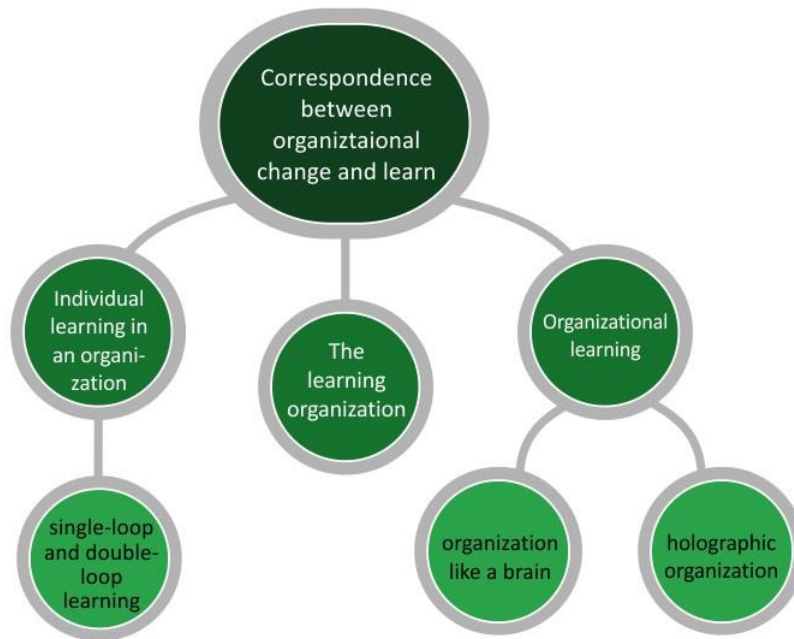
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10. CHAPTER 10: THE CONTEXT OF THE ORGANISATIONAL CHANGE AND THE ORGANISATIONAL (SINGLE-LOOP AND DOUBLE-LOOP) LEARNING.



66. Figure

The organisational change can be perceived as an iterative learning process, for the most relevant organisational factors (e.g. changes in the economic environment, behaviour patterns, motivations) are not foreseeable, usually they cannot be predicted in advance how they will change in the future. Therefore, constant renewal is necessary, which, if successful, gives results in performance improvements both on individual and organisational level due to the continuous feedback. ^[7]



67. Figure

Innovation and the adjustment to the changing environment are based on learning, which is a basic behavioural process, the result of which, thinking and the development and change of the behaviour, are brought along by experience. The consequence of a relatively permanent behavioural change may be constructive or destructive: while certain behaviour forms become established, others become weak or they disappear from the individual's behaviour. During learning, which is a special concept in this interpretation compared to everyday language, the behaviour of the individuals and the organisation also change, or may change. ^[5] In the present chapter we will look at the organisational change as a process of learning both on the individual's level and in an organisational perspective.

10.1 THE INDIVIDUAL'S LEARNING WITHIN THE ORGANISATION

During an organisational development, we can examine the learning process on the individual level from the point of view of two groups:

- the organisers and the executors of the organisational development and the change process;

- the organisational members involved in the organisational development and the change process.

When we examine the case of the executors of the organisational change, it must be taken as a point of departure that the learning process is embedded in a complex, multi-factor and open problem-solving process, so it can be described by special laws such as:

- the objectives essentially determine the demand level of an individual (if the goal is unreachable, people quickly turn away from it, while in the case of objectives which are reached, the effort increases);
- due to the complexity of the problems of the organisational change not all the influential factors can be taken into account, only the relevant ones;
- during an iterative activity, the executors of the change process are participants of the learning process in more than one respect: through seeking and testing means of cooperation, conflict management and creativity.

In contrast, if the individual is not directly involved in changing but is the target of the process, the learning process is rather of individual nature. The decrease between the differences of the organisational expectations and the individual objectives will lead to stabilise the behaviour change.^[7]

It is important to recognise that the employees of the organisation can modify their way of thinking or their behaviour using various individual learning methods and procedures. We can find more than one theoretical approach, between which there are many overlaps. Below, we will present some of the learning theories which are intended to explain the learning process.

In his taxonomy, E. T. Hall distinguishes three types of learning: informal, formal and planned or professional learning. In informal learning the behaviour pattern or the procedure to be followed is acquired by imitation; formal learning achieves the desired result by awarding the correct behavioural form, while the incorrect behaviour is penalized. The informal and the formal learning are often not conscious forms of learning, unlike professional learning, when learning is a plan to be accomplished and we select methods and tools for it consciously. Conscious learning brings deeper knowledge and leads to a wider range of competences, as we control the learning process. We know what, how and why we learn, and we are able to improve the process.^[5]

Observing others, we can imitate them, we can model our behaviour on their successful behaviour forms, or learning from their mistakes and

penalty we can avoid faulty behaviour patterns. The theory of corporate learning is also based on observation, and it raises the question of the role of perception: it is not the actual perception, but the observed consequences that determines our behaviour. Our decisions are made after monitoring others' behaviour, which is sometimes a false perception and may lead to opposite results than desired. For the corporate learning the following conditions must be met:

- the learner should recognise the person to be modelled (professional success, competence, charisma, sympathy and other factors may trigger it);
- the learner must have a sufficient amount of information in order to be able to model the desired behaviour properly.
- the learner must possess the skills and capabilities with which the desired behaviour can be modelled properly;
- the learner is waiting for something for the behaviour thus changed (reward, positive confirmation, recognition).

This form of learning is very common in workplaces, in particular in the life of the organisation, when a new employee joins the organisation or the group. In a certain community, one can adapt oneself through the learning of the behaviour forms observed and acquired from the colleagues. ^[4]

The learning model of the classical conditioning-theory has become famous due to Pavlov's descriptive study, the core idea of which is that he can develop behavioural responses with certain stimuli, which were originally connected to other stimuli. Behaviour-changing based on this method is rare in the organisational practice; however, it may have a profound impact on the learning process, if the stimuli are replaced by consequences. For human behaviour is connected to consequences in an organisation. According to the operative conditioning based on devices, if behaviour results a pleasant and valuable consequence for an individual, the likelihood of exercising the behaviour increases. In contrast, the non-awarded or even penalised behaviour is less likely to occur. A manager should also keep in mind that if the desired behaviour is not followed by reward, or at least by recognition, the likelihood of the recurrence of the expected behaviour is reduced. ^[4]

The OB Mod (i.e. Organisational Behaviour Modification) model based on the operative conditioning-theory is about changing the organisational members' behaviour. According to the method, the creation of a complex and compound behavioural change requires a progressivity. Broken down into parts, it must be performed step-by-step in order to learn the new behaviour. After accomplishing certain stages the desired

result can be achieved by reinforcement and financial bonus. Since unreinforced behaviour can easily be terminated, but the leader or the instructor is not always present to give confirmation all the time, the solution lies in a partial and regular reinforcement. The reinforcement shall be in accordance with the remuneration and the employee's performance: those who perform better should get greater reward; however, the reward should be in accordance with the individual expectations as well. The regular feedback and performance assessment serves a dual purpose: on the one hand, it makes the employee apprehend the correlation between remuneration and performance, on the other hand, the employee will be aware of the assessment of his/her performance. The OB Mod method consists of the following steps:

1. the definition of the behavioural form you want to achieve;
2. measuring the frequency of behaviour;
3. designation and consultation of behavioural objectives;
4. monitoring the behaviour;
5. reward.^[5]

The most compound learning, the complex learning goes beyond the association based on the occurrence of events supposing each other, which is typical to other learning forms. The individual shall implement logical operations in thought-images; the learning will be based on thinking simulations, which are selective: leave out some information, but also add some information to the real world. People include their experience, beliefs and values in their cognitive maps, which highlight what the important things are and show how they exercise effects on each other. During a simulation this map can also be drawn up in a different way based on logic, but in this case, we can speak about learning only if this results in behaviour-change.^{[4] [5]}

10.1.1 Single-loop and double-loop learning

Argyris says that there are a number of differences between the theories we profess and the practice we follow. Our practice, however, goes back to some determining values, and therefore, individuals endeavour to act in accordance with their values. Argyris has found four such fundamental values.

- exercising own control and direction;
- maximising profits, minimising losses;
- quelling negative feelings;
- being as rational as possible (setting well-defined goals, which form a basis for behaviour assessment).

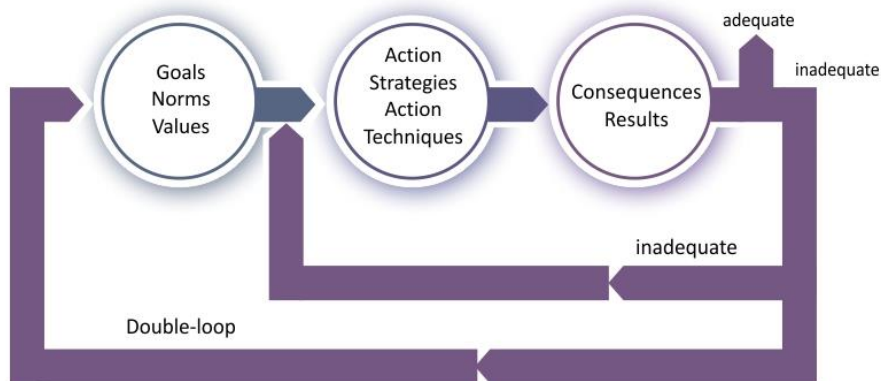
The purpose of individuals is to avoid painful threat, vulnerability and the feeling of incompetence. In order to do so, they will develop defensive mechanisms, which make them keep the explanation of their behaviour to themselves, as well as the assumptions aiming to clarify correlations and conclusions. But this reaction prevents the independent and objective testing of the behaviour, which will result an unbreakable closed thought-circuit, the usual, well-supported behaviour remains, and the learning will not happen. ^[4]

In ordinary language this means that we try to make decisions and to act on discretion, to get to the targets that we have set, so that we gain as much reward and recognition as possible, and avoid penalty, if possible. We assess our deeds and behaviour based on whether we reached our goals or not. If we reached our goal, we justify that our behaviour had been correct and that our acts had been successful. The more success we achieve, the fewer we fail – with our usual behaviour pattern -, the better explanation we can provide to our unaltered behaviour. The system confirms itself.

This way of thinking also has an effect on the communication between members of the organisation. In the centre of interest and attention there are usually practices, which are not effective. They are the subject matter of the investigation, because they need to be improved or replaced with more effective behaviour. The well-proven, efficient practices, however, are rarely queried, since doubt is may seem to be angularity or hypercriticism. The imitation of the accepted communication pattern allows eliminating only the faulty practice, but does not eliminate the causes of the problem.

Based in this, Argyris distinguishes two learning models: the single-loop or adaptive learning, and the double-loop or changing learning.

^[5] The two learning models are shown in the figure below.



68. *Figure:* The single-loop and the double-loop learning models (Source: Argyris 1992:8)

There are two cases when learning is possible: when our behaviour reaches its goal and its consequence is favourable to us, and on the contrary, when the its consequence is not the same as expected.^[5]

Argyris calls single-loop learning, when we examine the consequences of our behaviour and we see whether the outcome meets or does not meet our expectations. If necessary, we decide whether to change our behaviour or, on the contrary, to affirm and pursue it. Let us notice that this learning leaves intact the factors - goals, standards and values -, which the relevant behaviour has been based on.^[4] The subject of the learning process is the behaviour, which we alter if its consequence is not what we have expected, however, we correct the fault without calling into question the values which determine our behaviour.^[5]

The double-loop learning, however, occurs when in the event of not appropriate consequences, we first review and change the factors determining our behaviour, and our behaviour also changes indirectly thereby. The factors determining our deeds may be our beliefs, adopted values, accepted norms and rules or organisational expectations.^[4]

It is important to emphasize, however, that neither in the case of the single-loop learning, nor in the double-loop case, learning will not occur as long as only the new behaviour has been defined. There is learning, where the expected results have been achieved as consequences of the new behaviour.^[4]

While many companies have long been applying the single-loop learning or regulatory model, the double-loop model has been anchored

in the practice of only a few companies. There are numerous possible obstacles to it:

- a bureaucratic structure, which prevent activities from attaching to each other and that a single picture could be created about the operation of the organisation;
- bureaucratic responsibility principle, which provokes defence against other areas;
- dissonance between adopted and followed values;
- the group ambiance creates a consensus, which prevents the organisation from revealing the problems openly.

In the rapidly changing social and economic conditions, it would be, however, important that enterprises promote the double-loop learning, which could easily include a career change as well. In this case, the organisational development and change will not be a periodic process standing alone, but will become an integral and organic part of corporate life. We can promote the introduction and the exercise of the double-loop learning, if we encourage and support frankness, allow mistakes and appreciate trying. If the consequence of our behaviour is not what expected, let us not be satisfied by the examination of a single aspect, but try and find the causes of the problem. Let us avoid unfavourable events by the organisational intelligence. To ensure all that there a committed management must take the lead. ^[3]

In these subchapters we have presented the theories of individual learning, since the organisations also learn through their members. Without individual learning there is no organisational learning, but the result of individual learning is not necessarily integrated into organisational knowledge. Organisational learning is a collective process, which aims to change organisational behaviour. ^[5]

Therefore, there is learning in the case of organisations as well, which we can define like the individual learning, as a change in the organisation's behaviour. On organisational level this means the transformation of the decision-making process and the changing of the routine activities of the organisation members; the outcome is the improvement of the individual and organisational performance. Performance can be improved by behaviour change, more knowledge, as well as by a better understanding. Not all changes go together with learning; though, from the point of view of the organisation it is desired that the acquired knowledge could be built into the everyday activity. ^[4]

Argyris distinguishes two main directions in his papers: the 'learning organisation' and the 'organisational learning'. While the former approach puts the emphasis on practice, and it is looking for the answer to the

questions of what the organisations able to capable of learning are like, what the conditions for skill development are; the latter is descriptive, neutral to values and interested in what learning means, how it is worth learning and what sort of learning is advisable for the organisation.^{[1] [5]} The following subchapters we shall present these trends in more detail.

10.2 ORGANISATIONAL LEARNING^[4]

Organisational learning is the process during which the organisations explore, analyse and correct the errors committed. Many theories and methods have been elaborated in the spirit of continuous development and improvement (e.g. the Ishikawa diagram, the Pareto analysis), which help the leaders to diagnose the errors. In this understanding the organisational learning is not identifiable to the individual learning processes of the organisation members or that of the leadership. However, the organisations, paradoxically, are only capable of learning by the experience and actions of individuals. This explains why it is necessary to analyse individual learning processes, when examining the organisational learning.

As we have previously discussed, the organisational learning is not equal to the totality of the individual learning of the organisation members. The organisations are characterised by learning systems, which do not exist only temporarily, as separate moments in the organisation's life. These systems are, on one hand, available at a given place and time for the members of the organisation, and, on the other hand, they are handed down to future generations by means of stories, beliefs, values, and norms. These values facilitate the learning of new entrants and their integration into the organisation. So, the individual learning is a necessary condition for organisational learning, but the transfer of knowledge does not necessarily take place.

One of the decisive elements of the organisational learning is routine. Routine is a collection of accumulated skills, procedures, adopted behavioural patterns within the organisation, which is realised in the predictable, regularly recurrent behaviour of the members of the organisation. It becomes independent of the personality of the participants in the action, since the organisation reproduces routine-like actions even if members are exchanged, thus they are part of the so-called organisational memory. In addition to facilitate the learning, routines lead to single-loop learning on the level of the: in order to good performance organisation members repeat the previously learned behaviour pattern. Although behaviour patterns are sometimes modified and refined on account of experience, correction does not change the organisational framework, the rules of conduct – the cognitive map of the

organisation⁵ will not be redrawn. Therefore, the routines serve well to carry out the short-term tasks, but they may stand in the way of successful long-term changes.

The cognitive map of the organisation ensures that values, norms and behaviour patterns remain unchanged despite the fluctuation of organisational members. If there is a change in the organisation's cognitive map, we can speak about organisational learning, and that will be double-loop learning, which takes place on the organisation level. The double-loop learning is required for an organisation, because when both the internal and the external environment change, pursuing the previously stated objectives and applying the previous procedures will not bring results. To eliminate the errors that occur, new and innovative solutions are found, others than the previous practice on the individuals' level, which are integrated into the organisation's cognitive map. Doing this, values, norms, objectives and strategies are also modified.

In this respect, Argyris and Schön consider those organisations to be followed as an example, which are able to adopt double-loop learning, and do not insist rigidly on previous values, therefore their operation does not become obsolete.^[2] This possibility occurs, however, only if the members of the organisation seek to explore the organisation's cognitive map when solving all kinds of problem. As double-loop learning means nothing else than a capability to identify consciously the frameworks for the actions of the organisation and, if necessary, to call it into question. The organisation capable for double-loop learning does not change constantly, so it also has the ability for single-loop learning, which does not affect the standards represented by the organisation and the rules adopted in it. In a fast-changing environment, when values can expire quickly, it may also be necessary to re-draw the cognitive map. In a period of change it is recommended for the organisation to apply the double-loop learning model; in a period of stability, however, the single-loop learning can also provide an increase in the organisation's performance.

10.2.1 The organisation is like a brain ^{[3][6]}

We have referred to Morgan's work, when we analysed the organisation as an ensemble of cultures. However, there is more than one approach to understand organisations, therefore, Morgan, too, has analysed the structure of organisations from several aspects. The metaphor presented here - the brain-like organisation – suggests we

⁵ A cognitive map is the totality of memories existing in our mind of the spatial world, on the basis of which we can orient ourselves in the spatial world.

should arrange organisations based on the model of the operation of brain. Obtaining and processing information, as well as the central importance of learning would be brought into line with to the life of the organisation thereby.

It is a specificity of the brain that it stores the information in a specific way. The information, which is stored the whole brain, is also available in each cerebral cell. In the life of the organisations this means that all of the information is accessible to everyone, which is the condition of the flexible adaptation. If the information is available, the organisation must be able to use it, that is to carry out learning: to process and to analyse the information, as well as to change the behaviour in accordance with the results of the analyses.

This metaphor suggests that an organisation could be intelligently rational to adapt to the environment. In contrast, the traditional approach to organisations follows the principle of mechanistic rationality, wants to improve the pre-defined structure and to increase the effectiveness in addition to the stability of the external environment. However, as soon as the external conditions change, neither the structure nor the behaviour pattern can be maintained, because none of them is rational. There is a need to examine the old operation rationality under the new terms and conditions, but in order to do this, the ability is needed to put into question the strategy which is currently in force, i.e. the organisation must behave intelligently. It is possible to create an organisation, in which the information is spread and the whole company has self-organisational and self-regulatory capabilities? One or two innovative organisations, and small businesses, which ensure the process of obtaining and processing information by an autonomous working group, show some so-called holographic traits already, but this is in any case a possibility to be explored in the future. However, we think the theory worth being presented, so the following section will deal with the holographic organisations.

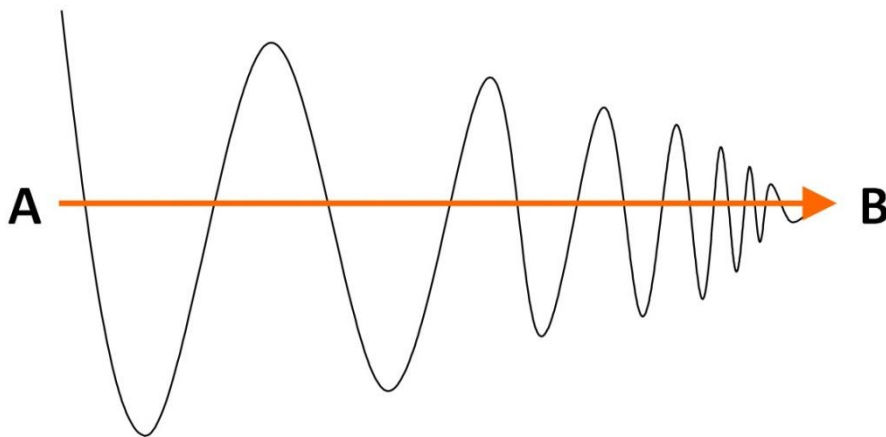
10.2.2 The holographic organisations^[6]

Holography was discovered by Dénes Gábor. He recorded the image with no lens, by means of a laser beam in such a way that each part of the image plate carried the information concerning the whole image. If the hologram breaks, owing to the holographic information storage, the whole image is reproducible from any part of it.^[3]

In an organisational theory perspective, this means that the information is available in the organisation so that it could be accessible to everyone; in other words, everyone knows everything. The brain-like information processing and evaluation is now actual practice in modern

corporations. The next question is whether these organisations are capable of the type of learning, which would facilitate the successful adjustment to the environment.

The self-regulatory behaviour is realised in the information-exchange process by a negative feedback. Let us take an example. The aim of the organisational changes is to push the organisation from the old state (state A) into a new state (state B). Meanwhile, unpredictable or unexpected events and obstacles may occur, so we can think of the change process as one carried out blindfold where we can remove the bandage only sometimes. The aim is clear, however, the strategy used and the methods applied must always get a little fine tuning in order to achieve the desired result. We let the selected procedure run for a while, and then we compare the triggered effect to the expected results. Since we left the process go by itself, deviances and errors have occurred, which should be corrected. Again we will leave the transformation for a little time, and then we will check the process. If we see a deviation, a small correction must be done again, and so on. Due to fine tuning, the differences are getting smaller and smaller, until at last we achieve our goal. The continuous swings are shown in the following figure.



69. *Figure: A process with negative feedback*

From the point of view of the change process the ideal route would have been to go along the straight line connecting state A to B. However, using the method of negative feedback, with permanent deviations and errors which have been corrected, the process has been completed

successfully, it has achieved the goal. An interesting feature of the model is that although it followed the straight line the shortest time possible, yet it avoided the definitive breakage with it. In the negative feedback process the organisation has been operating as a self-regulatory mechanism, i.e. it had learnt how to discover the errors and how to repair them. This is called organisational learning.

In order to be capable of self-regulation, the holographic organisations are to develop a communication and learning system, which must be able to:

- constantly detect and follow the evolution of the main characteristics of environment;
- compare this information with the standards regulating the organisational behaviour;
- find the significant and essential deviations from behaviour regulatory standards;
- take corrective actions when the differences are revealed.

10.3 THE LEARNING ORGANISATION

According to Senge's theory, a learning organisation is a community, in which the individuals seek continuously the opportunities to improvement their skills, support the new framework of thinking, ensure space to collective ideas, and the members of the organisation are motivated to acquire the common learning ability. The learning organisation is interested in shaping its own future, and in order to do this, it will strengthen its abilities and increases its talents increase with undiminished enthusiasm.^[8]

Since Senge's paper, the entire business world has recognised the importance of learning organisations and their impact on competitiveness. Therefore, it is important to understand what the different is between a learning organisation and a body of men learning in an organisation, how an organisation can become a learning organisation, and what functions a management has in this process. This subsection deals with these issues.^[8]

One of the characteristics of the learning organisation is that its strategy is defined by the organisation's mission. They mean to perform a long-term operation, and due to their complex and constantly changing workflow, they are changing and developing at all times. The learning organisations are flexible, modern structures, which are founded on decentralised projects and learning groups. The units are thus mutually dependent on each other, an intensive communication takes place between them, and initiatives coming from the bottom are also

supported. Among the members of the learning organisation loyal and empathic people with good communication abilities are welcome, who are able to criticise themselves and have appropriate skills. All of these characteristics will help the learning organisation achieve its goals and become competitive. ^[5]

Senge says that the learning organisations are laid on five basic abilities or principles.

- *Personal management* – the development of personal knowledge and skills, and then the guided use of them in order to achieve the results. This requires an environment that supports the individual in the learning process to achieve the goal set by him/her.
- *Creation of thought-patterns* – the observation and the interpretation of the phenomena will shape the individual's view on the world, which is shaped consciously.
- *Common vision* – the creation of the common idea of the future to achieve, of common identity consciousness, of commitment within the group, as well as the common principles.
- *Group learning* - the ability of groups to learn together in accordance with certain reflection and communication models, and as a result they will have a better chance to act than by individual learning.
- *Thinking in a system* - a concept, where the key to apprehend the organisation is to be found in understanding the relations between driving forces and the parts, the context and the cooperation schemes. ^[8]

If we want to summarize the learning organisations with regard of their basic principles, we can say that the members of a learning organisation understand the present status and the driving forces by thinking in a system; the thinking patterns provide the framework conditions, and they achieve the state defined by a common vision by their personal leadership, via collective learning. ^[5]

10.4 TEST YOUR KNOWLEDGE

1. True or false?

In an iterative activity, the change process, due to its complexity, is not able to take into account all factors.

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2. True or false?

E. T. Hall distinguishes three learning processes: formal, informal and single-loop learning.

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3. What does OB Mod mean?

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4. Present the single-loop and the double-loop learning models.

5. True or false?

Organisational learning is the process where organisations explore committed errors; the analysis and the correction are the tasks of consultants.

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6. Describe Briefly the holographic organisation.

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7. True or false?

The learning organisation means a community, in which the members are motivated to acquire the common learning ability.

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8. Explain to five basic principles of the learning organisations according to Senge theory /Essay/

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MODULE IV:

**ORGANISATIONAL EFFICIENCY AND
MANAGEMENT THEORY**

11. CHAPTER 11. THE EFFICIENT MANAGEMENT STYLE

Management is the relationship with the people and employees, an influencing process, in which the leader modifies the behaviour of the members of the organisation in order to achieve a goal. In this sense, management is based on understanding the motivation and it aims to harmonise individual, collective and organisational objectives. ^[5]



70. Figure

The style of the management is determined by what means the manager is able to stimulate his/her subordinates, and how he/she can influence their activities. Although the classical management style theories are not described in this section, let us see the not exhaustive list here below of the most important approaches, just to suggest the broad spectrum of the issue.

- Traditional management theory approaches
 - Feature theory models
 - Skills-based models
 - Behavioural theory models
 - Situation theory models
 - Contingence theory models
- Modern management theory approaches
 - Path-goal theory.
 - Senior-subordinate exchange theory
 - Transforming management
 - Serving management

- Authentic management
- Integrated model



71. Figure

These trends have been developed to define the effective style of management, in order to understand, how a leader can be successful. The experts of the subject - Stodgill Mann, Lord DeVader and Alliger, Kirkpatrick and Locke, Zaccaro and Bader - thought at first that the combination of some skills ensure leadership success, later a certain behaviour gave an explanation of the secrets of effective leaders, in Blake-Mouton's views, for instance. After that, Hersey and Blanchard, and Fiedler among others – began to take into consideration the impact of environmental and situation factors to see how they can affect managerial effectiveness. The latest trends were developed in response to global environment challenges, and rapid pace of change and development received, defining the conditions that a successful leader must meet today. ^[3]

Because anyone can become a successful and effective leader, since the competences and skills which are needed for it can be developed, and management experience can be acquired. All you need

to do so, however, is much time and experience, and the development and improvement process cannot end, an effective leader needs continuous self-knowledge and self-control.^[2]

11.1 THE IMPORTANCE, CURRENT SITUATION AND CHALLENGES OF EFFICIENT MANAGEMENT

Efficiency comes from experience, i.e. it can be learnt how to become an efficient leader. Intelligence, hard work or being well-informed are not enough to it, efficiency is another ability, which different from all these, however, it does not require any special capability or exceptional qualifications. Efficiency can also be interpreted as to find the adequate solution, as to make the right decision as soon as possible. Efficient leaders achieve this using various practical procedures, so that they continuously exercise and improve them. In this sense, efficiency is a behavioural form.^[3]

A behavioural form, during which the efficient leader minds his time management, he/she knows what his/her precious time – already too little - is spent on, and he/she does not waste time desperately. He/She sets an example with organising and carrying out his/her own tasks effectively.^[2] He/She is result-oriented, watches less the job but concentrates his/her efforts more on the results. An efficient leader always takes advantage of the situation, but always undertakes only what can be carried out and to do so, he/she counts on his/her own strengths and on the strong points of others – his/her superior, subordinates, and followers. He/She is able to set up priorities, thereby to focus on areas where higher performance will bring outstanding results. An efficient leader makes efficient decisions, and makes the appropriate steps in the proper order. As a leader he/she makes few but essential decisions in order to carry out the strategy.^[3]

Today, not the leader, as individual is in the focus; the attention is much more on the relationship between the leader and the subordinates; since leadership is based on common cooperation, it is not about the leader but the relations. In the present era of management theory there is the demand for a conceptual framework, which includes all the essential elements of management, and a description of the tasks, with the accomplishment of which the leader is able to influence his followers' behaviour.^[10] This demand called into life the research group, which wanted to pool the current theories into an umbrella-model, in order to give an overall picture of general principles, which can be used in various situations. One of these is Gill's integrated management theory model, which we shall present in the following section.

11.2 INTEGRATED MODEL^{[3][4]}

Based on the analysis of management practices given by the literature, this model pointed out six factors, which define the core of management in Gill's view. The six main components describe what and how managers do in order to guide and assist their subordinates to achieve the objectives, and shows the main points of the managers' work. These are briefly the following:

- *Vision* – the definition and the communication of a real, understandable and attractive vision to the organisation's members;
- *Mission, objective* - the definition and the communication of a real, understandable and attractive mission to the organisation's members;
- *Values* - the identification, presentation and reinforcement of common values, which provide information about the vision, the mission and the strategy, while they support their implementation;
- *Strategy* - the development, communication and implementation of rational strategies, which are based on the common values and assist the employees during the implementation of the vision and the mission;
- *Authorisation* - the authorization of the participants in work so that they be able to carry out what should be carried out;
- *Alignment* – the motivation, influence and encouragement of people in order to incite them to do it what they are supposed to do.

The main components of the integrating model by Gill are as shown in the figure here below; more details will be given about them in the following subchapters.



72. Figure: The six main components of management
(Source: Gill, 2011)

11.2.1 Vision

A vision is a mental image of what the future will or may be like, or what we would like it to be like. It is an idealised mapping of what the organisation ought to be, or what it would like to become. ^[3] It is an outline of the desirable and possible future condition of the organisation^[9]. It is a vision that shall provide guidance to the organisation and motivates people. In order that we could define the vision of the organisation as an efficient leader, we must be able to plan the future relying on our previous experience or imagination. Visions are defined for longer periods, for at least five years. Values represented and adopted by the organisation are included there, so they are of ideological nature, but emotions are usually not related to them. ^[3] The vision includes the criteria by which the progress can be measured. The directives established in the vision give a framework to the strategy making, which can be used as the point of departure in the event of rapid and frequent changes as well. ^[9] They serve as a symbol, give the meaning of everyday work, motivate and animate the members of the organisation. ^[3]

A precisely outlined vision defines the organisation's orientations, goals and serves as a motivational force in the organisation of activities

leading to the desired goal. It is to strengthen the sense of identity, the feeling of affinity and to assist to include the company's activities in a framework. A comprehensible and attractive vision prepares the establishment of organisational norms and structures.^[3]

The efficient leader is responsible, on the one hand, for making an effective and inspiring vision, a vision, which is also a challenge for the organisation, and which is communicated in a compact and comprehensible form; on the other hand, a leader should support in-person the implementation of the vision, he/she is to set an example with his/her actions and conduct in accordance with the implementation of his/her ideas.^[3]

In Kotter's opinion an optimal vision can be characterised by six main features:

- *Probable* - not far removed from the reality;
- *Attractive* - potential benefits for all those concerned;
- *Feasible*, realistic and achievable;
- *Focused* - is able to serve as a guide in the decision-making;
- *Flexible* - adapts to the changes.
- *Communicable* - easy to transmit and to understand the message.

In his view, vision has to be adapted to the needs of the concerned in the organisation, since for the implementation of the future ideas the commitment of the employees to the vision is very important. For the members of the organisation shall be bound by convincing power that the vision is not a simple illusion, but it is achievable through finite and predictable processes, and the organisation's strategy can be derived clearly out of the vision.^[6]

Allen says that for formulating the vision of our organisation the following key questions may help:

- What is the goal?
- What are our own driving forces?
- What are our key values?
- What are we the best at?
- What do we want to implement?
- What do we want to change?^[1]

In spite of the fact that the corporate practice does not make a rigid distinction between the organisations' vision and mission, the two future corporate patterns have different focal points.^[9]

11.2.2 Objective and mission

While the vision represented the “hard” part of the focal spot, the mission is the author of the “soft side”. It gives answers to the questions what the purpose is of the existence of the organisation, why an organisation was created, what values it represents and on the basis of what values it is operated. ^[9] Mission and objective are very close concepts but mission has a broader meaning, yet, it means the clear description of the organisation’s assignment. The mission determines why the specific organisation exists, what its role is in the society and shall appoint the path for the achievement of the vision. The following questions are used as a guide in formulating it:

- What are we?
- What are we doing?
- Why are we? What is the purpose of the organisation?
- Who are the customers? What benefits can we provide for them?
- What are our distinguishing competences, our core values?
- What sets us in motion?
- How do we want to be remembered?

Since objectives can be achieved only in common effort, it is important that the mission represent a jointly adopted system of goals, which is only possible if these questions are answered in a free brainstorming, more widely discussed and consulted with the personnel employed. ^[3]

Four types of it can be distinguished based on the objectives that the mission is expressed to achieve:

- *Discovery* - search for novelty;
- *Excellence* – achieving internal satisfaction;
- *Altruism* - assistance, listening;
- *Victory* - outstanding efficiency, effectiveness.

If organisations keep in mind the major shareholders’ interests, their purpose is simply to maximise the profit, which gives few guidelines for the members of the organisation, and they usually cannot be maintained on long term. Today people have been looking for meaning and objectives in their work. If they find them, they will be committed to seek for the achievement of the company’s aims. It is the responsibility of an effective leader to define a mission, which the individual objectives can be derived of, and which can also suggest people the meaning of their work. ^[3]

Among the common features of the mission and the vision can be mentioned that they both include durable and long-lasting ideas; they

communicate the most important strategic intention; they carry a message both to the outside world and for the company employees.^[9]

11.2.3 Management and values

All the decisive elements of our human existence – our goals, dreams, behaviour, deeds and accomplishments – are assessed along various values. The most comprehensive value pair is good/bad, appropriate/inappropriate; these are the foundation for ethics and excellence. They work in our lives as regulators and determine which efforts and sacrifices we are willing to make.

In the context of management, values are principles or default guiding examples, which are considered relevant and useful for the organisation. We show to the management what is desirable and therefore what is our preference of certain forms of existence. Effective leaders are able to identify, support and communicate common values, in order to assist the organisational members in the implementation of the vision, the mission and the strategy thereby. The values associated with ethical characteristics also describe the corporate culture.

The importance of ethical business conduct has been emphasized today by all business schools, the management therefore, should also have moral intelligence to allow it to set an example by its ethical and value preserving conduct. The organisational values supported by an efficient leader, although may reflect individual values, unlike the individual values, which are highly subjective and sometimes unconscious, they are impersonal and objective, they serve as governing principles of the conduct for the employees of the organisation.^[3]

Lencioni defined several types of values.

- *Core-values* - inviolable, distinguishing characteristics of the organisation, represent the main guidelines, their expression is often the heritage of the founders;
- *Wanted values* - not owned by the organisation yet, but necessary for the future success;
- *Minimum expected values* - most basic behavioural standards, which are present in the life of most companies.
- *Random values* – defined spontaneously, they reflect the values of employees.^[8]

The closer the organisational values are to the employees' personal values, the more efficiently the organisation culture can be developed and this will affect favourably the employees' commitment, too. Identical values reduce the number of conflicts, and will increase the performance and the satisfaction, they have a positive effect on the economic results

as well. Otherwise, if the individual and the organisational values are different, an insoluble ethical dilemma is presented to the employees, which be realised in frustration and performance reduction. So, the responsibility of the effective leader is no other than to create the level of the values jointly adopted by the members of the organisation, which forms the basis for coexistence. ^[3]

11.2.4 Management and strategy

In Alfred Chandler's view, strategy is no other than the definition of the long-term objectives of the company, the development of activities necessary for the implementation and the allocation of necessary resources for the goals to be achieved.(Cf. dr. Finna, 2013, p.48) The strategy answers the following five in the business environment:

- What area the organisation wants to operate in?
- How to achieve the organisation's goals?
- How the market will be made available to the organisation?
- By what speed and steps will all these be achieved by the organisation?
- How the organisation could achieve the desired return of the investment?

As we mentioned earlier, the strategy shall support the implementation of the vision and of the mission. It identifies the company's internal and external environmental characteristics, takes advantage of their strengths and opportunities; meanwhile, it takes into account the weaknesses, and respond to the potential hazards. Its purpose is to find the optimum competition position of the organisation and to develop the processes, which allow the exploitation of the advantages. The condition of the strategy shall be a strategic principle, which is the driving force of the organisational strategy; it helps the allocation of scarce resources and the determination of direction of movement of the company.

Around the millennium, the emphasis of the thinking of the strategy was transferred from the long-term planning to the adaption to the rapidly changing market environment, as well as to the processes. The organisation-wide strategic thinking has moved into the focus, which was assumed in initiatives coming from the bottom, in the decentralisation of strategic decisions, in becoming a learning organisation, and in the continuous development. ^[3]

11.2.5 Management and authorisation

Authorisation is all about people being empowered and authorised, essentially getting free hand for all activities, which are required for the implementation of the vision, the mission, the objectives and the strategy. The members of the organisation will be given the opportunity to exploit their inherent potential, which fills them with energy, increases their performance and effectiveness, motivating them from inside to carry out the tasks.

People prefer undertaking risk and initiating actions in the interest of the organisational goals, if we encourage them to participate in teamwork, by sharing information with them, by training them and by offering them opportunities to develop themselves. Authorised employees are capable of better performance; they feel they contribute to the company's success, and the achievement of the objectives fill with them satisfaction. Being authorised, people acquire the knowledge, the ability, the opportunity and the freedom, which will help them manage themselves and they will be able to take responsibility for their work.

We can reinforce the positive effects of authorisation, if we delegate challenging tasks, the competences related to decision-making, and provide freedom to the definition of the activities. This, however, involves much responsibility. In order to alleviate the load it is necessary to share knowledge, to incite learning and performance and to support; also to ensure the appropriate resources and for the different courses, coaching⁶ in order to obtain the necessary skills.

Authorisation, however, is often obstructed by bureaucracy, risk-averse behaviour, the fear of losing control, the lack of confidence, of skills for authorisation and of time.^[3]

11.2.6 Management and alignment

Alignment includes the pleasure and the enjoyment of work; the intellectual and emotional commitment to the organisation; the exceptional efforts in work; all effort and initiative, and the existence of the citizens within the organisational. It is a positive attitude, which is equally valid towards colleagues, the management, the organisation itself and the job. This is in connection with certain personality characteristics, however, is due in part to the efficient management.

Engaged employees are motivated to make every effort to achieve and implement the organisation's vision, mission and strategy.

⁶ Performance-enhancing training at workplace, a tool for personal development.

The task of the efficient leader is to ensure a motivating environment so that the employee should feel that attention is paid to him/her and is treated fairly. For that, however, the individual characteristics should also be taken into account so that they fit in the organisation like small puzzle pieces forming a large image. ^[3]

11.3 THE FIVE KEY PRACTICES OF AN EFFICIENT LEADER ^{[3][7]}

After getting familiar with personal practices of leaders, Kouzes and Posner made the model, where the similarities, the similar action patterns of efficient leaders have been revealed. In spite of the fact that specific cases have been investigated, the great leaders have shown five clear similarities.

- Set an example!
- Inspire the common vision!
- Seek for challenge!
- Increase the ability for action of others!
- Encourage perseverance!

These practices will be presented in more detail here below.

Set an example! Efficient leaders do not expect the employees to respect them only for their rank. In addition to wording the values to be followed, their behaviour and their actions are in accordance with them, they behave as a model and as an example, and they show the desired and accepted the code of conduct. Exemplary leaders spend time on their colleagues and work together with their subordinates. Setting an example forms the basis of involving others and inciting them to action – in a direct way.

Inspire the common vision! Leaders can see the possibilities, they dare dream, have the impulse to do, create and carry out something. They are driven by a clear vision, which can be achieved only with the work, support and commitment of the whole organisation. Are members of the organisation shall not, however, become committed to the vision on command. The leader must involve their colleagues in the common vision, which will only be possible if he/she knows them and their needs, dreams and values. A leader must show how these dreams and hopes can be realised in the foreseen future. The conformity of the objectives should be made clear; also how the vision serves the interests of the community. The leader's enthusiasm sticks to the staff as well.

Seek for challenge! Leaders keep focusing on how processes could be improved, what should be developed, what could be changed. They

are pioneers, consciously looking for challenges, willing to move toward the unknown. In spite of the fact that managers are not inventors, they seek ways of innovation, the possibilities of growth and development, and they are the supporters and the early adopters of new ways. They are responsible for creating an atmosphere, which encourages experimentation, recognises and supports new ideas, and helps to carry them out even if difficulties occur. This, however, goes together with risks, but despite all failures experimentation and the steps toward the change must be encouraged by celebrating small successes as well. Successes will reinforce the commitment and the conviction of the organisation, so that it could face even greater challenges.

Increase the ability for action of the others! The conviction that the best things may only be done by *me* is faulty. For the fulfilment of big dreams and the implementation of the mission of an organisation teamwork is needed. This is based on strong trust and relationships; for the efficient leadership we must trust in others. An efficient leader encourages cooperation and consciously strengthens the climate of confidence. He/She creates all the conditions so that his/her followers could achieve success. He/She exudes confidence toward his/her followers, who thus carry out their tasks with greater autonomy and responsibly. Mutual trust incites to take greater risks, the organisation will be more open to changes.

Encourage perseverance! The implementation of the vision, the mission and the strategy is a long and laborious process, even our staunchest men will easily become exhausted, frustrated and disillusioned. It is the efficient leader's task to inspire genuinely the team in the event of a difficult situation so that they could continue the work with renewed vigour. The leader is to strengthen the faith that they are capable of the special performance only together. After each phase, it is worth celebrating the success and recognising the results achieved. The celebration of the values and victories will strengthen the focus, increase the motivation and make visible the benefits and the awards of the behaviour to be followed. Strong community spirit can tide the team over difficult periods.^[3]

11.4 TEST YOUR KNOWLEDGE

1. True or false?

The traditional management theory approach is the path-goal theory.

.....

2. True or false?

Transforming leadership is a modern management theory approach.

.....

3. The integrated model by Gill /more than one answer may be correct/

- A. One of the six main components is Authorisation.
- B. The vision is a real, understandable and attractive picture of the future.
- C. Alignment is the motivation, influence and encouragement of people.
- D. In Gill's view, the components describe what and how the managers are to take action, pointing out the way to the subordinates, in order to achieve the desired objective.

4. True or false?

Kotter says that a vision can be characterized by 5 main features.

.....

5. True or false?

In Lencioni's theory, the aspired values are inviolable and distinguishing characteristics of the organisation.

.....

6. Explain what strategy is in Alfred Chandler's theory

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7. True or false?

Authorisation is giving the employees free hand to carry out the actions, which facilitate the strategy.

8. The model by Kouzes and Posner shows the similarities between efficient leaders. Out of these, present the “Inspire the vision” one. /Essay/

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12. CHAPTER 12: CONFLICTS IN THE ORGANISATION AND CONFLICT MANAGEMENT



73. Figure

Conflicts are inherent, natural and frequent elements of organisational life, although the traditional management theory interpreted them as negative phenomena, which should be avoided, if possible.^[1] When harmful and dangerous conflicts to cooperation occurred, they were defined as the inefficiency of the management. In order to avoid this, a number of radical methods has been developed, since the management was responsible for creating and maintaining harmony.^[3] Later it was admitted that conflicts are unavoidable, because during the operation of an organisation, the allocation of resources, the creation of groups and the transformation of the organisation may be harmful to the interests of certain people, so the existence of conflicts must be accepted and we should learn how to live with them, how they can be treated. Our perception of conflicts today encourages employees to bring conflicts to the surface, because conflicts also mean the ability to change, since harmony indicates the lack thereof. According to this, in order to sustain their ability to change and their creativity, organisations must find the dynamic balance of conflict and harmony.^[1] For conflicts, the handling and the resolution thereof disengage various forces.^[3] They may promote adaption to the changing environment and may also increase the organisational members' satisfaction.^[1]

In the present chapter, the conflicts and the methods of their management will be presented, which may affect the effectiveness of the organisation and the performance of the organisation members.



74. Figure

12.1 THE CONFLICT ^{[1][3]}

Several disciplines - from psychology to pedagogy - undertake research in the field of conflicts. In this subchapter we shall interpret the general statements with the characteristics of conflicts at work.

12.1.1 Definition

We speak about conflict when a person or a group feels that another person or group has a negative attitude towards an issue, which is important for him/it, and frustrates his/its efforts. Enforcing its own interests, one party hurt the other party's interests, the conflict is intended against one another. Conflict differs from competition in this aspect: while the efforts in a competitive situation are made to achieve a goal, the parties in a conflictual situation hurt each other's interests. The conflict is a perceived phenomenon. There is no conflict, if none of the parties perceive the disagreement between interests or views; however, a conflict may occur even if only one of the parties concerned detects the difference.

12.1.2 Its consideration

As we have said in the introduction, our perception of the conflict has changed quite a lot in the course of the management sciences development: while at first it was an object of persecution, today it is considered to be one of the essential components of success. Although today's understanding does not deny either that the conflict may be harmful under certain circumstances, it considers that beneficial and constructive conflicts should be encouraged in order to achieve organisational success.

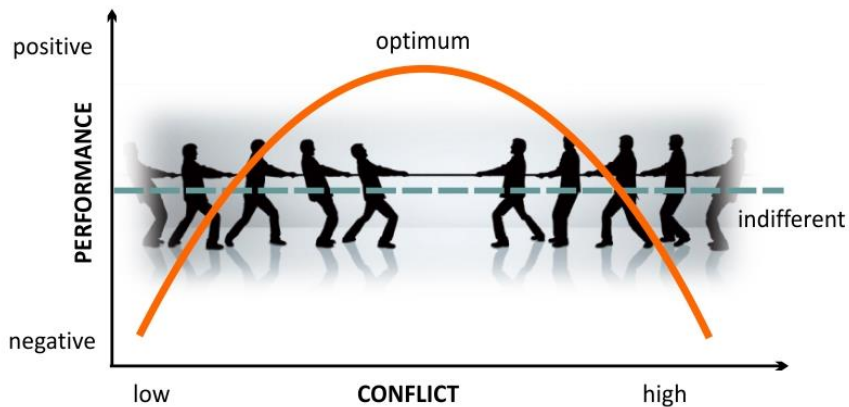
We consider good – functional or constructive - those conflicts, which contribute to the achievement of the aims of the group and increase its performance. They assist new strategies and the creation solution proposals, and will not let the organisation become lazy. They encourage creativity, and bringing the ideas to surface. They disclose irrational arguments, separate the problem from the individual or mitigate the tension. They reveal the power and strength relationships.

We consider bad – dysfunctional or deconstructive - those conflicts, which lead to a decrease in the group performance. They result a situation which is emotionally saturated (e.g. one of the parties wins, while the other loses); lead to defensive or blocking behaviour; polarise group view; in extreme cases, they result in the disintegration of the group.

However, judging conflicts is not an easy task, since their quality depends on their effects in the organisational performance, but it is difficult to define what are the precise performance criteria, how the performance can be assessed; in addition, the conflict may depend of the environment, the group and the situation; and finally, we can conclude whether a conflict had good or bad effects on the organisation's performance only after it had been settled.

In another approach, both the lack of conflict and the too high level of it make negative effect on the organisation's performance, while the medium level of it has positive effects. So, the real task of the management is not to prevent or to cease conflicts, but their management: a successful leader is to generate conflicts and apply conflict-decreasing strategies at the same time in order to keep conflicts on medium level. The correlation between the conflict level and the organisational performance is shown in the following diagram.^[5]

The too low level of conflict will result indifference, the lack of pursuit of innovation and the minimisation of efforts; while the too high level of conflicts lead to being overridden and to disorganisation or chaos.^[5]



75. *Figure:* The correlation between conflict strength and organisational performance (Source: Northcraft; Neale 1990)

The determination of the optimal level of conflicts, however, is not an easy task.

12.1.3 Its sources

In order to manage the conflicts, it is important to clarify what the possible sources of a conflict could be. Conflicts within the organisation may come from three sources: communication, structural and behavioural factors, which will be discussed below in more detail.

Communicational factors - the wrong or incomplete communication generates conflicts. It gives birth to hostility and differences, if the information is not accurate or fair, if the communication is distorted or its content is uncertain.

Structural factors - conflicts can develop, inter alia, due to the size of the organisation, the heterogeneity of the members, the remuneration system, the resources, or the power. The research shows that larger organisations are more apt and more susceptible to conflicts, because the information is more easily distorted, formalism and specialisation are greater. Conflicts can arise from the poorness of resources, since the organisation groups compete for the same resources. Sharing the power is also a possible conflict source, when a group considers that its power is less than necessary or others have more power than necessary.

Behavioural factors - from this point of view, conflicts are triggered by the needs of the organisational members, their personality or the differences in their value system. It may occur that they tolerate conflicts

less than others. In extreme cases, the differences between values, if the employee is unable to identify himself with the values of the workplace or of the working group, can also lead to leave the organisation. Behavioural conflicts might arise from individual differences of the process of perception and opining.

12.1.4 Process of its development

The conflict, as a process, can be broken down into five phases:

1. preceding situation;
2. recognition and experience;
3. creation of the mode of treatment;
4. actual behaviour during the conflict;
5. consequences.

Previous situation - in the previous subsection we have discussed the sources and the causes, which may generate conflicts. The conflict may be preceded by the mutual lack of information, the inaccurate communication, if management style is incorrect, a deviation of value systems, etc. A potential conflict or its possibility, however, will not necessarily become an actual conflict.

Recognition and experience – a potential conflict will become actual conflict, if any of the parties concerned becomes aware of the preceding situation. Then the conflict is recognised, because one of the parties feels that another party shows a negative attitude toward an important issue in his/her eye. Having identified the conflict we are usually disappointed, tense, short-tempered, which will establish a negative attitude and approach to the other party. This is when we bear the conflict.

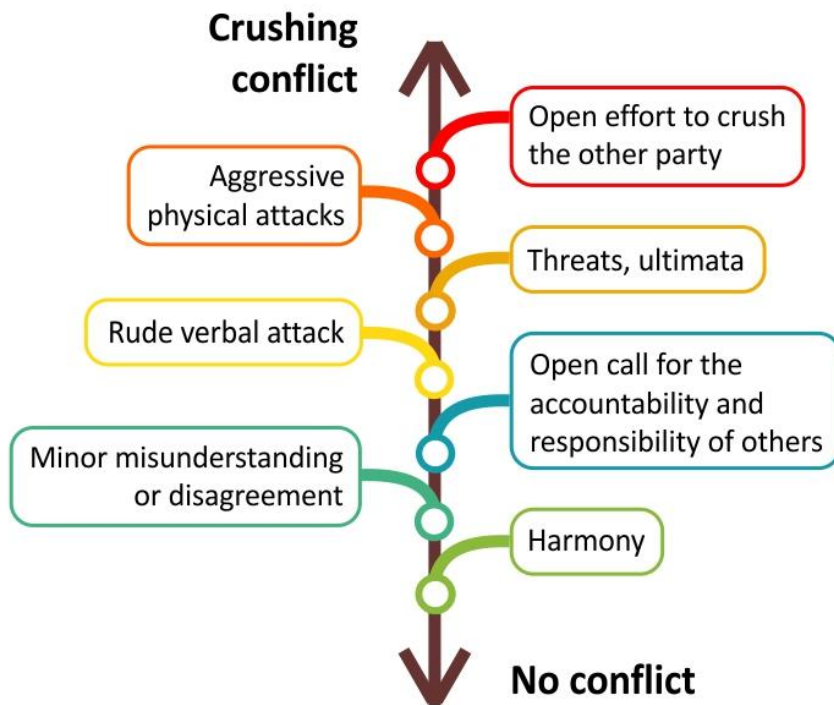
The creation of the mode of treatment – when choosing how the conflict will be treated and when planning a strategy, we decide how we are going to put an end to the unfavourable conflictual situation, how the problem will be solved. This phase contains no immediate action, because of the reason for many conflicts getting worse is that a party does not consider the other party's conflict management strategy nor the actions given as response.

Actual behaviour during the conflict - since the conflict becomes visible at this stage, many people identify the whole conflict with it. In this phase, planning will be followed by action: statements are made, initiatives start, the parties learn the other's reactions. The parties shall endeavour to implement openly their strategy of conflict management. However, the actual behaviour may be different from what is intended, if

a wrong strategy has been chosen or if it has been achieved awkwardly, or if the other party reacts with an unexpected response.

The conflict breaks the harmonious, conflict-free status, and from this position it may escalate into a crushing conflict. Between the two extreme statuses, however, there are several degrees, which are shown in the following scale. The actual conflict begins at one of the extreme values of the scale, and two typical evolutions^[6] can be foreseen.

First, if as the sections progress, the conflict develops with more and more amplitude toward the sharp edges and aggravation of the conflict. This is a dangerous process, it risks that the parties can come to no conclusion, the conflict may remain unresolved, in other cases, one of the parties put an end to the conflict by force, but it might also happen that one of the parties leaves the organisation. However, from the point of view of the organisation none of these solutions is favourable, since the organisation's performance will consequently decrease.^[6]



76. Figure: The conflict intensity scale (Source: Robbins 1993).

In the second case, the process can be characterised by attenuating amplitude, then the conflict is moving toward solution and settlement. If the parties are able to see further than their personal feelings and they are able to concentrate on real problems, the tensions caused by the conflict decrease with time until the conflict finds its successful solution. This has favourable consequences to the organisation, as the organisation's performance increases thereby.^[6]

12.2 THE LEVELS OF CONFLICT

Conflicts may appear on the different levels of the organisation. In addition to the internal conflicts of an individual, there may be interpersonal, group-level or organisation-level conflicts. We shall discuss in the subsections here below the characteristics of each level and the methods of treatment.

12.2.1 Individual level and its management^{[1][3]}

On the individual level we can make a distinction between the internal conflicts of a person and the conflicts between individuals.

The internal conflicts of an individual are important from the point of view of the organisation because they may arise regarding to matters concerning the job and their solutions also has an effect on the organisation. The source the conflict that the person has to opt for one of several exclusionary goals; choosing one of the objectives excludes the others.

- Favourable options: the decision will be taken on the basis of the power of the motivational difference between objectives. If the correctness of the decision is questioned later, the individual who is concerned will want to minimise the feeling of regret, he or she shall disregard the information about the refused option.
- Unfavourable options: finally, it is the coercive power of the situation that puts an end to postponing the decision-making and makes the person take action. If an individual has a choice between unfavourable options, it may also happen that the person chooses to leave the organisation.
- Achieving a favourable position and avoiding an unfavourable situation: in the organisational life is not unusual that the achievement of an objective has both favourable and unfavourable consequences at the same time. To help with the decision, the motivational force of the achievement of the goal

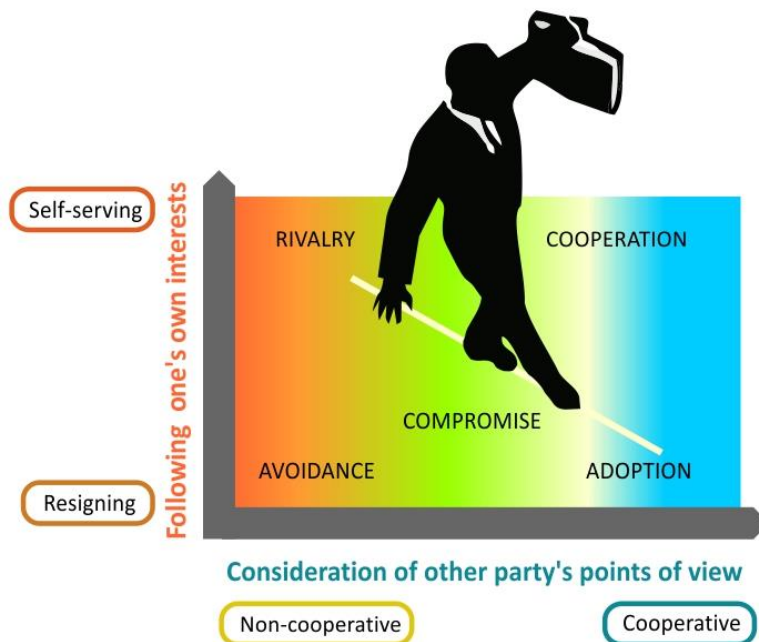
must be increased and the fear of the implementation or of the negative effect must be reduced.

An *interpersonal conflict* is when the goals, ideas, objectives or behavioural forms of two or more individuals are incompatible. It may arise due to inconsistency between the different interest, the resource allocation system of the organisation or the distribution of rewards, but a conflict can also be generated if individuals would to give effect to the same interests in a different way.

A frequent dilemma in interpersonal relations is the decision between rivalry and co-operation. We make our choice between strategies of self-advocacy and co-operation according to penalties and rewards. In addition to the incentives applied and the personal features of the individual, the willingness to co-operate is also affected by the communication, which has a conflict-reducing effect in itself. Therefore, the incentive system of an organisation should reward instead of the individual performance the behaviour in favour of the implementation of the organisational objectives, since the level of co-operation will increase organisational efficiency.

In the course of interpersonal conflict management, those who are concerned have may have recourse to upper forums or their leaders, who may take action more efficiently: may remove the root of the conflict, they may appoint a moderator for the discussions; or they make rules concerning the treatment of the conflict.

In the case of managing these conflicts, we can endeavour to achieve our goals either driven exclusively by our self-interest or having regard to the other party. These two dimensions – importance of self-advocacy, monitoring own interests and the importance of co-operation, the consideration of the other party's points of view – suggest five styles of conflict management and behavioural patterns, which are shown in the figure here below.



77. Figure: The model of responsive practices to conflict
(Source: Tosi, Rizzo, Carroll 1986)

- *Rivalry* - I strive vigorously to achieve my own goal, while I am not having regard for the other party's goal. This style tries to put across individual objectives and opinion, wants to force own will on the other party, even at the other party's expense. The conflict in this case is a game, and it should be won. The result is that a winning and a losing position develops. The losing party appears weak, and the winner becomes aggressive. The victory tactics include power tools, threat or argument. This style can be successful to solve crisis quickly, when even uncomfortable but necessary decisions should be made under short time constraints.
- *Avoidance* - I do not force my own goal, but I am not willing to cooperate in favour to achieve the aim of the other either. Certain people rather quit or avoid conflicts, if they judge the situation emotionally difficult or really important. It may be that the tension or frustration, which goes together with a conflict, makes him/her emotionally disturbed, or the nuisance of earlier conflicts make him/her withdraw from it. This style combines the possible

behaviour types from leaving physically the scene of the conflict, keeping quiet, changing the subject of the conversation, or the psychological denial of the conflict. Avoid conflicts may prove to be useful, when there is very little chance of winning, or others would be able to resolve the problem more effectively, or when it is a question, which is not significant and avoiding it means to gain time.

- *Adaption* – I do not force my own goals, but rather cooperate in favour to achieve the partner's aim, I adopt the partner's interests, in extreme cases, I simply let the will of the other party prevail. Adaptive people consider the relations more important than victory; they condemn conflicts and think that conflicts are bad things. They do not dare to risk obtaining enemies by undertaking conflicts, they would rather give up their own representation. This behaviour is usually resulted from self-sacrifice, altruism, and it reveals the generosity, humanism and the obedience of the person. This is a strategy is to be used, if one has made an error and wants to make up for it, if one seeks to maintain a relationship, or if he/she perceives that the issue is much more important to the other party, who might lose a lot on it, while one has little to win in the conflictual situation.
- *Cooperation* - we accept the other party's interests, but we wish to give force to own interests as well. It is based on the assumption that there is a realistic possibility to find a solution that satisfies the interests of all the participants. The cooperating party considers it is worth trying to find this solution, even if in reality it is not possible to solve the problem in a way, which would bring the fulfilment of both parties' interests. The cooperating behaviour requires a lot of time and effort: the open debriefing of the problem and the quest of different alternatives require openness and confidence. The result if this strategy means a winning position for both parties, the participants will have respect for each other's point of view. It is worth applying it when the disagreement comes not from the interests, but affects the implementation process.
- *Compromise* – I give up some of my interests but I expect the other party to do the same. This is to find the "golden mean". It is based on the assumption that upon achieving the solution none of the parties can realise solely his/her own aspect. Participants in the conflict must find the desirable middle solution, which is acceptable to both parties, and to do this, both parties have to

give up some of their position. By means of a compromise the relation is sustainable and the agreement is beneficial and acceptable to both parties. Within this strategy they have recourse to solutions as deals, reduction of differences or voting, but both parties will win at the end of the conflict. It is in particular useful when the parties involved are in identical power position and have mutually exclusive aims.^[7] One of the typical techniques of this *modus vivendi* is negotiation, which will be covered in section 12.3. of the present course material.

There is no best solution between the conflict management styles presented here above. Any of the behavioural patterns may be successful and effective - the outcome of the situation depends on the situation, the circumstances and the personality of the participants of the conflict.

12.2.2 Organisational level and its management^{[1][3]}

Previously we have seen that on the individual level interpersonal conflicts may have an effect on the organisation performance, while on the organisational level, conflicts between the groups must be dealt with in this approaches.

In the case of organisational-level conflicts we can no longer speak about disagreement between individuals but rather about those between groups or organisational units. However, people with significant power and influence (e.g. top managers, executive-managers) could also be involved in organisational level conflicts.

Mastenbroek considers the organisations as a network of groups in mutual dependency relationship with each other. Groups within the organisation depend on each other, but they try to enforce their own interests as well at the same time. So, they are characterised by both competition and cooperation with each other. The author distinguishes four types of relationship between the groups, which designate levels of group-level conflicts.^[4]

- *Instrumental relationships* - structural and technical aspects. The organisational units and teams must agree on the allocation and the coordination of tasks between each other.
- *Social-emotional relationships* - the personal relationships, togetherness, sense of identity, and the opposites of self-identity and individuality.
- *Authority-dependency relationships* - political games and power manoeuvres to increase their own influence, to confirm their positions. Exploring the invisible power relations underlying the

surface can be a major step forward in understanding organisational behaviour. Autonomy, strong, independent positions and interests confront with the constraint of interdependence, coalitions and the combined forces.

- *Negotiating relationships* – obtaining the necessary resources. The maximisation of all the yield of the organisation or of the unit's share.^[4]

So, the conflict is appreciably present in all the four types of relationships, but from the point of view of the solution, Mastenbroek considers the authority-dependency relationship as determining, which will affect the conflicts of the other three relationships.^[4]

Another classification of group-level conflicts makes a distinction between vertical and horizontal conflicts. Horizontal conflicts are the ones, which arise between groups on the same hierarchical level, and vertical conflicts are those, which arise between groups on different hierarchical levels.

Since the dimensions of cooperation and rivalry are more complex on organisational level than on individual level, the behavioural forms do not correspond to the five individual strategies presented in the previous subchapter. Three typical behaviour patterns can be distinguished during an organisational-level conflict: 1) smoothing, avoidance; 2) negotiation, coercion; 3) clash, problem-solving. These are shown below in more detail.

- *Smoothing, avoidance* - the participants of the conflict avoid collisions and endeavour to create harmony - or at least, the appearance of it -, they try and attempt to minimise the differences between views. They consider the conflict destructive in itself; it is a harmful phenomenon of organisational life. The participants themselves are conflict avoiders; they would rather adapt to each other than attack the others' positions. In the conflict, they seek to preserve the current situation, the stability, leaving the allocation of resources and the power positions untouched. The stability, however, does not mean that each of the parties involved is satisfied with the present situation, but they keep their complaints for themselves, so the conflict does not come up to the surface. This behaviour develops in an environment where there is no external compulsion to change the current situation, the internal forces are balanced, and there are no initiatives to change, but all protect their acquired positions.
- *Negotiation, coercion* - groups have partial interests; the bet is the access to the scarce resources. The situation is a zero-stake

game: they can win what someone else loses. The winners consider the conflict progressive, the losers, however, consider it negative – in retrospective. The participants of the conflict consider themselves to be each other's rivals, and they shall seek to blow the whistle on each other by pointing at the other party's dirty linen in public. This kind of behaviour is characteristic to situations where the environment forces a restructuring of the power structure and the redistribution of resources. Internal rivalry is an accepted, normal phenomenon.

- *Clash, problem solving* – one of the features of organisational units is their willingness for cooperation; the groups determine their own interests according to the common organisational objective. The participants recognise their interdependence, the mutual dependence on each other, and that they are unable to reach either the organisational objectives or their individual goals without each other. The conflict is considered to be the consequence of the external environmental challenges, and such, constructive and healthy. The conflict is not a zero-stake game, everyone can win in it, everyone can improve their own position, the participants, therefore, cooperate and consider each other to be partners. They clash openly their standpoints, the relations between the organisational units are characterised by openness and fairness. The aim of the conflict is the success and growth of the entire organisation, by which the groups gain resources as well. This behaviour is typical to dynamic, challenging environmental conditions, where the organisation can only survive if it responds to these environmental challenges. The organisational success is the result of the harmonised and coordinated work, the internal atmosphere is innovative, and the relations are based on trust.

The essence of the group-level conflict management is that this work would keep the developed conflicts near a medium conflict level and push them towards a constructive outlet.

A part of the organisational conflicts develops from the complexity of the organisation, as the consequence of work division, structural and technological interrelations. A part of it can be settled with the help of organisational and coordinating tools.

- *Establishing rules and processes* - in order to avoid conflicts rules must be laid down, processes must be designed, which may also be useful in the already existing conflictual situations. Being regulated reduces the development of conflicts, since the

behaviour and the decisions of other groups become unquestionable thereby.

- *Recourse to upper forums* - if processes cannot be regulated, it is also a simple solution, if the leader makes a decision, settles the conflict between the groups, and thus closes the conflict. The disadvantage of this technique is that it is time-consuming for the leader, and gives opportunity to political tactics.
- *Position for releasing frontiers* – the creation of a job, which carries out the coordination of groups cooperating intensively. The liaison person will ensure the cooperation, he/she monitors the contacts and the communication between the groups,. The disadvantage is this technique is that the position itself suffers much conflict, and the person holding the post often suffers from role-conflict.
- *Teamwork* – a similar technique as the previous one, but coordination of the cooperating groups is ensured by not only a person, but a whole group. The members of the team are appointed by the cooperating units, for the task to prepare, to govern, and to control the common activities. The group has a problem-solving and conflict managing role, which is replaced by the creation of a permanent organisational unit if the cooperation is for long term.^[3]

In addition to coordinating tools, there are also methods, which are rather behaviour in their nature. Since the participants in the conflict intend to solve the problem face-to-face, in a constructive manner, they are called confrontation techniques.

- *Involvement of a third party* - in general, an appeal to an external advisory to find a constructive conflict resolution. This is needed when the organisational unit in conflict, though they would like to divert the resolution of the conflict in the good direction, they are unable to do that, and the conflict worsens. The advisor is an experienced professional, who can only help, if both parties accept his opinion and help. The purpose of the advisory is to incite organisational groups to cooperate and to mitigate the conflict between them by clarifying the communication and by the objective exploration of the advantages and disadvantages. The third party may assume two roles: on the one hand, an arbitrator, if - as an impartial party – is empowered to take the final decision to terminate the conflict; and an intermediary, on the other hand, if he/she is not authorised.

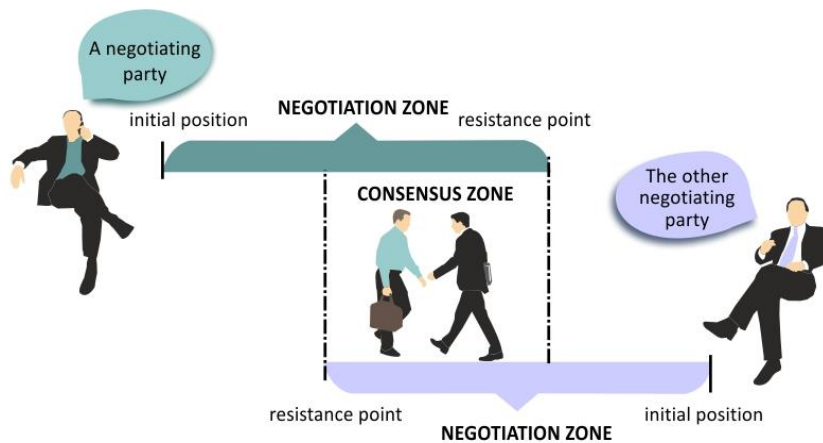
- *Superordinate goals* - a goal is set to the groups in conflict, which can only be achieved by means of cooperation between the groups. To achieve the goal significant effort must be made by both parties. Both groups consider the common goal important, for example to get out of a crisis or capturing opportunities of survival.
- *Rotations of persons* – in certain intervals, members of the organisational units are temporarily or permanently transferred to another organisational unit. The purpose is to prevent conflicts from developing, as this technique helps to get to know other units' work and adopt the values; it reduces conflicts and improves communication.
- *Negotiation* - this technique will be discussed in detail in the next subsection.^[1]

12.3 NEGOTIATION ^{[1][3]}

Negotiation is an activity based on convincing each other, the purpose of which is the termination of the conflict arising from the free agreement of the parties. During the negotiation, the parties are in a communicational decision-making position: whether they will be able to come to an agreement with their different interests and preferences.

A negotiating situation can occur when the power differences are no longer or not significant between the negotiating parties, when they have different interests, but mutual dependence connect them.

Every negotiation can be broken down into four sections. These are: 1) asserting initial positions; 2) exploring resistance points; 3) securing consensus zone; 4) achieving the most favourable position within the zone.



78. Figure: The basic model of negotiation (Source: Bakacsi 2004)

Each of the parties comes to negotiate with a start-up offer, which is known as the initial position during the negotiation. The preferences expressed by two parties rarely coincide; the aim of the negotiation is exactly to approach them to each other and to make an agreement. During the negotiation, the parties incline to yield as long as they may end the discussion with satisfaction, and this occurs in the event of reaching the negotiating parties' resistance points, that is the final value that is acceptable for them. The range between the two points is the negotiation zone. The negotiation can only bring result, if the two negotiation zones have a common, overlapping phase, which is no other than the consensus zone, all the points of which are acceptable for that party.

After declaring the initial positions the negotiation shall be directed to discover respectively the negotiating parties' resistance points. Sophisticated negotiating partners do not intentionally disclose how much they are willing to give up from their initial position. If they assume that there is a common part of the negotiation zones, then they will try to achieve the most favourable position to them. In the case where it is assumed that there is no consensus zone, it is worth finishing the negotiation quickly.

Everyone has a specific, individual style, which determines his/her behaviour in a negotiating situation. Regardless to individual differences, two dominant negotiating styles may be distinguished: the soft and hard strategy.^[2]

- *Soft strategy* - the relation-oriented style; the negotiating situations where the participants are more friends than enemies. The purpose of the negotiation is to persuade the partner, and not to overcome him/her. In order to achieve the objective the parties are willing to make allowances to maintain the relation. The compliance of the parties is possible in personal and tangible issues as well. Those who apply the soft style, trust in each other, and easily give up their own positions. They reveal their positions and make offers in order to close the negotiation with success. They adopt the unilateral losses, but insist on the consensus. They avoid clashes; they would rather surrender to pressure.
- *Hard strategy* - the goal-oriented style; the negotiating situations, where participants consider each other to be adversaries. Their goal is the victory, make no allowances; what is more, in order to maintain the relation they require the negotiating party to concede. In personal and tangible issues they are tough and very mistrustful with others. They insist on their own standpoint, which they also defend with threats. In order to defend their own positions they would rather mislead with their standpoint. Pressure is applied during the negotiation and they seek to win in the clashes. The outcome of the negotiation may only be what they themselves can adopt. In order to achieve this, they require unilateral concessions.^[2]

Despite being widespread and popular, none of two styles can be considered to be a successful strategy. The disadvantage of the soft method is that it leads to give up one's own interest and to obedience. Although the hard style is suitable to achieve short-term successes, it may not be suitable for long-lasting partnership relationships, because the negotiating party is considered to be an enemy. The "problem-solving" negotiating style combines the advantages of the two styles, in the application of which the following challenges must be met.^[2]

- *Separate the man and the problem.* The negotiating situation is often accompanied by emotions, we receive our negotiating partner suspiciously, we fear he/she wants to deceive us, and thus, the ambiance of the negotiation easily becomes tense, if our partner has similar preconceptions. These emotional difficulties, however, should not affect the discussion and its problem-solving nature. We must take control over our emotions, we must accept and respect our partner's feelings, and if necessary, we can help him concentrate on the problem. We should consider the other party to be a problem-solving partner; let us try to put ourselves in his/her mind.

- *Focus on the interests, not on the positions.* Although the negotiation starts by taking the initial positions, the initial opposition must be redefined as a common problem-solving, for the goal is to find a solution which is satisfactory for both parties with different preferences. A common error during the negotiation is if we assume that the initially stated positions are given and we do not even try how the problem could be reworded in a form in which our standpoints are not contrary. During the negotiation, it is important to discover the other party's interests and objectives, to find the common interfaces, to get information about our partner's position.
- *Find a solution to satisfy common interest.* In negotiating situations we should try to break through the initial dimension or interpretation of the conflict, and to find a mutually satisfactory solution by introducing new viewpoints and options. The problem must not be interpreted between narrow frames; the essence of innovative initiatives is that the parties quit their rigid standpoints.
- *Help your partner keep his/her reputation.* In spite of the fact that the solution at the end of the negotiation is rationally acceptable for the partner, it may prejudice some of his/her personal interests, which are primarily psychological character problems. It may be that the partner has an aversion from the solution, because he/she feels that it was not his/her idea. It may also be that the decision taken means a loss of face for him/her. He/She may feel that the negotiation was too quick, and he/she did not have enough time to get prepared for the decision-making. The listed possible situations may be solved, if we try to approach the problem from the point of view of the negotiating party and we try to dissipate his/her unpleasant feeling. In order to prevent this, we must observe already during the negotiation that our partner does not see himself/herself as a loser.

The so-called "problem solving" strategy is considered to be a well-serving method, if not an applicable technique but a kind of approach. A key to the successful negotiation is the conscious preparation, the openness for the partner and the problem, and the learning skills. ^[2] When developing the skills we must understand that it depends on us whether we can change our potential negotiating opponents into partners.

12.4 TEST YOUR KNOWLEDGE

1. Present the concept of conflict.

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2. True or false?

Structural factors may be a source of conflict.

.....

3. Present the model of conflict-responsive practices

4. Organisational level and its management /more than one answer may be correct/

A. Mastenbroek considers the organisations as a network of groups in mutual dependency relationship with each other.

B. The instrumental relations are political games, which aim to strengthen the positions.

C. The negotiation relations are directed at obtaining the necessary resources.

D. Horizontal conflicts are considered to be those, which are at various levels of hierarchy.

E. Authority-dependency relations are authority manoeuvres

5. True or false?

During organisational conflicts three types of behaviour can be distinguished: smoothing, negotiation and involvement of a third party.

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6. True or false?

The purpose of the rotation of the personnel is to prevent conflicts.
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7. List the four stages of the negotiation process.

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8. Explain the hard negotiating strategy /essay/.

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13. CHAPTER 13. MOTIVATION AND PERFORMANCE



79. Figure

The successful management turns its attention to the good work performance and to the increase of efficiency, which can be achieved by raising the motivation level and by using motivational tools. Motivation is not the same as the willingness to implement organisational goals. Motivation is related to the individual's objectives and needs; it is the management's task to connect these to the organisational objectives so that they serve the implementation of the organisational objectives. Motivation is not a characteristic feature, but situation- and time-dependent internal impulse. As money is not the only motivating tool, motivation is not the only performance enhancing tool, which determines the results of successful organisations.^[1] In the present section, we undertake to dispel these misbeliefs by presenting the motivation theories, as well as the motivational means.

13.1 BASIC CONCEPTS ^{[1][4]}

The elementary motives of our actions are the impulses, which create a need. The impulses which determine the behaviour to mitigating needs are called motivation. All targeted behaviour can be called a motivated behaviour.



80. Figure

In the motivation system of humans, motives of biological origin and learned motives determine the motivated behaviours; the motives which are the results of learning and socialisation are sometimes stronger than our inherent motives. The stronger the impulse is, the greater the action skills are.

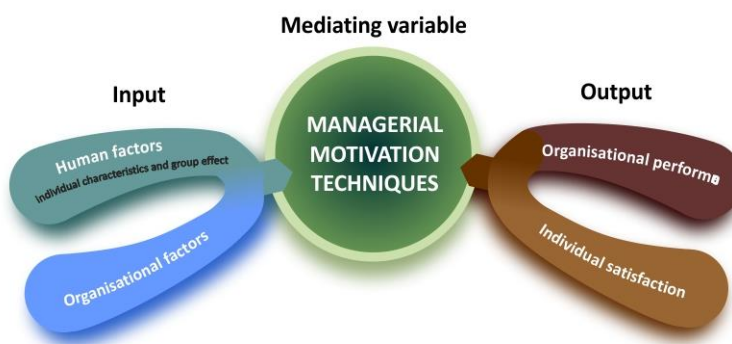
We can apply the concept of motivation in two types of approach: on the one hand, as a concept of psychological origin, as the organisation of internal impulses; on the other hand, as a managerial behaviour which is meant to encourage the subordinates in order to achieve the organisation's objectives. To each manager it is an important issue how to improve the employees' motivation level. It is hard to tell, since it is a complex phenomenon - the motives cannot be observed directly, they differ in intensity and they change dynamically. We shall try to give an answer to it later by presenting the motivation theories.

It is certain that the individual performances can be traced back to four factors:

- individual characteristics, skills, competences;
- the creation of the job field;
- the given situation;
- and individual efforts and motives.

We can speak about motivation within the framework of organisational theories, if the individual is willing to make efforts in favour of achieving the organisational objectives, which his/her individual needs are also satisfied with. The organisational performance is the result of the combined impact of the organisational members' abilities, skills and motivations. Not even the most excellent ability can bring result without the intention to act, as the most powerful intention is not enough, if the appropriate skills are missing. Power = ability and motivation.

The basic model of organisational motivation is illustrated in the following figure.



81. Figure: The basic model of organisational motivation
(Source: Tosi, Carroll 1986)

The organisational capabilities are formed by the interaction of human and organisational factors. On one hand, these input factors can be identified with the organisational members' individual capabilities and needs; on the other hand, the with the group effect. These individual characteristics are also influenced by the organisational factors. Structural factors may restrict the individual flexibility in different ways, even in achieving individual performances. The development and dominance of technology may result that performance of a particular workflow depends more on the technology used than on the individual competences, thus limiting the individual's influence. ^[5]

Motivation strategy is a leadership activity aiming to change the behaviour of the organisational members, by which the leader tries to make an impact on the subordinates in order to enhance their performance. Any strategy chosen by the leader must take into

consideration the individual competences, skills, and the impact of group standards on these.

The result, the important performance from the point of view of the organisation, as well as the satisfaction, which is important for the individual, are created by the organisational skills and the well-chosen motivation strategy. Satisfaction with the work is essentially influenced by the job, the relationship with others and the work-related expectations.

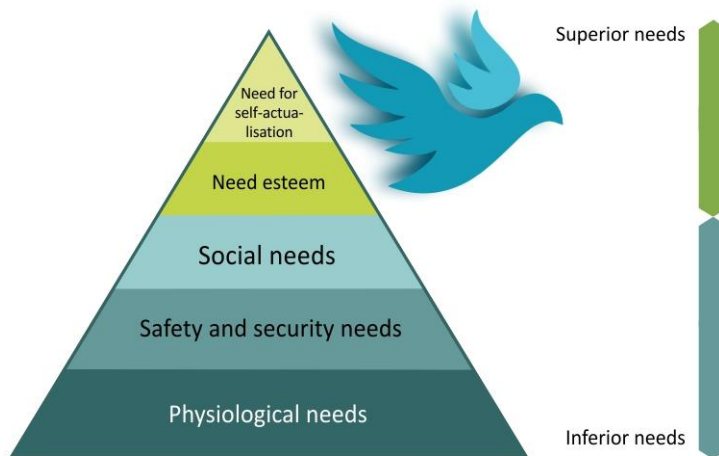
If we put aside the early motivation theories – such as hedonism or the theory of instinct - motivation theories can be classified in two major categories. A group of theories emphasise the idea that employees should feel that as a result of their activities they also gained something in person, and that their work is not only important from the point of view of the well-being of the organisation. The theories, which focus on the employees' needs, demands, and the means in the hand of the leaders to stimulate colleagues, are called the content-theory models of motivation. In contrast, the theories, which focus on the appropriate management of the employees, have become known as the process-theories of the motivation.

13.2 CONTENT-THEORY MODELS ^{[1][4]}

The content-theories cover all the motives characteristic of an individual, which compel him/her to take actions. These motives vary from one individual to another, since different needs, desires and expectations motivate us, which depend on the situation and change dynamically in time. The following models to be shown are not specific management recommendations, as they may only be considered as a theoretical framework, which shows what is likely to motivate our staff to act, and how this behaviour varies depending on time. In a specific leading situation, a specific analysis must always be carried out first.

13.2.1 Maslow's hierarchy model of needs

The model is based on two essential preconditions: 1) motivations can be traced back to people's needs, and these needs induce us to take certain actions; 2) at the same time, these needs can be put in a hierarchical order. As a revision of what has been said about the model of the hierarchic order of human needs in paragraph 2.3, Module I, look at the figure here below.



82. Figure: The Maslow hierarchy of needs (Sources: Gyökér 2012)

As we have said before, the needs listed above follow each other in a hierarchical order, which also means in practice that the higher order needs will not become important to the individual and will not influence the individual's behaviour as long as the lower-level needs are not satisfied. This is what Maslow calls 'the hierarchy law'. According to the principle of motivation, always the next arising unsatisfied need creates motivation.

Later on, the model has been developed by Maslow and was supplemented by two other growth needs, which were integrated in the pyramid prior to the level of self-actualisation:

- *Cognitive needs* - the curiosity, the thirst for knowledge, the need for the knowledge of facts and their systematisation: to know, to understand and to discover the world around us.
- *Aesthetic need* – desire for beauty, the harmony of things, and for symmetry.

In the enhanced model, the need for assisting others to realise their self-fulfilment and to exploit their potential is also displayed.

The theory gives simple explanation for the causes of human actions, and provides a clear basis for the management to create the motivational strategy. The message of the model for us is that we should be familiar with the hierarchical level of our staff's needs. The means to encourage them should be developed in accordance with this, so that they help meeting the appropriate needs.

Maslow's idea, however, also has a few weak points. One of them is that needs do not arise and motivate our actions at one time but gradually. Consequently, none of them can ever be fully met. It is also a problem that the organisations are not really successful with satisfying the upper-level needs.

Maslow's theory has been developed further on, inter alia, by Clayton Alderfer, whose ERG-model will be presented in the following section.

13.2.2 Alderfer's ERG-model

Alderfer condensed Maslow's five categories into three groups of needs: existence needs, relatedness needs and growth needs, and he established a hierarchical relationship between the three types of needs.

- *Existence needs* - basic material needs and safety from physical threats, Maslow's physiological and safety needs.
- *Relatedness needs* – need for social relations, our desire to build and maintain personal contacts to, and to be accepted and esteemed by others, the equivalent of the social needs in Maslow's model.
- *Growth needs* - need for personal development, for the exploitation of our potential, the needs for self-esteem and self-actualisation in Maslow's theory.

Alderfer says that these needs and desires exist continuously and simultaneously, and although they are in a hierarchical order with each other, their priority differs from person to person. The intensity of the needs is determined by the origin and the cultural environment of the individual. If the fulfilment of a higher-level need hits a snag, the higher-level fulfilment of other needs can compensate for it. According to the principle of frustration regression, the sense of non-fulfilment causes disappointment, and then we step back on a lower level, the fulfilment of which is amplified. The developmental needs specifically in relation to the others: to meet increasing demand will further increase the intensity of its occurrence.

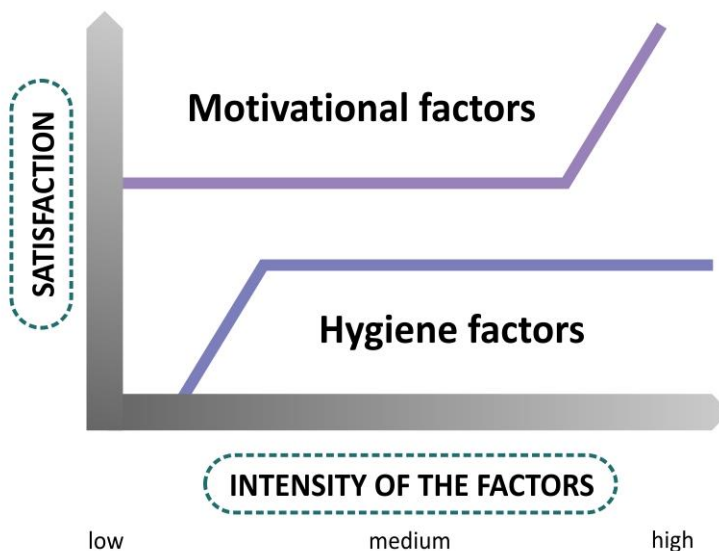
The theory suggests the leadership that simultaneous needs should be recognised, because this is the only way to motivate the employees of the organisation. Further comment: if the growth needs cannot be met, it is advisable to concentrate on the relatedness interests. Empirical studies supported more the validity of Alderfer's simpler model than that of Maslow's theory.

13.2.3 Herzberg's two-factor model

The starting points of Herzberg's theory are the factors of satisfaction related to work. Those participating in the research survey, pointed out other factors as causes of satisfaction and dissatisfaction, consequently the two attitudes can be measured independently of each other. Satisfaction was raised more by causes related to job content, while the reasons for dissatisfaction came from the work conditions. Based on this, he made two groups of factors: the so-called hygiene factors and the motivational factors.

- *Motivational factors* – they are related to the job content; they are the sources of satisfaction. These internal motivational factors ensure the fulfilment of the individual's higher-level needs. The motivational factors include responsibility, the opportunities of greater performance, development, career development, recognition, curious nature of the job.
- *Hygiene factors* – they are related to the job conditions; they are the sources of discontent. In vain does the workplace provide good working conditions, they do not lead to a higher level of satisfaction, they may only reduce the dissatisfaction level. This category includes the physical and organisational characteristics of the work environment, (rules, payment, working conditions, operating principles, job safety) and the social environment of work (personal work relations, status).

In the following figure the two-factor theory can be seen.



83. *Figure:* The effect of the specific factors on the satisfaction (Source: Gyökér 2012)

We can see that if there poor hygiene factors, high dissatisfaction is predictable, but the high-level fulfilment has no impact on the work satisfaction either. The existence of the hygiene factors above a certain level has no effect or has a neutral effect on the content level of the employees. In contrast, the motivational factors even in the worst case, even at the lowest level of their fulfilment have only neutral effect; the satisfaction of the employees increase with the intensity increases of the factors, and a significant improvement can be achieved thereby in the organisation's performance. The message of the theory for the leaders is that it is impossible to create a substantive motivation and to have motivated employees using incentives related to the hygiene factors; the most that one can achieve with them is a kind of peace at work.

The advantage of the theory is that it provides guidance to management: the hygiene factors should be maintained on a medium level at least, while the rate of motivational factors exceeding the medium level will have a positive effect on the organisation's performance. However, the theory oversimplifies things and does not take into account the individual differences. But its significance is that it pointed out that with some factors, which are considered important by leaders, work conditions may be made more convenient, but employees cannot actually be motivated.

13.2.4 McClelland's theory

The theory is to determine what the motives are, which have more than a casual relation with the behaviour resulting in high performance. This motivational theory is built around the needs presented above, and points out three factors, which can explain our motivation in an organisational environment. In terms of work, McClelland found that performance, power and the association relations were the most important motives.

- *Affiliation and relationship motive* – derives from the desire for being accepted and loved, and from the need for acceptance. Individuals having strong relationship motives maintain friendly and close human relations, and in their relations they endeavour to achieve mutual understanding and cooperation. The very motive is not effective in itself, it is neither associated with appropriate degree of performance nor with power motives.
- *Performance and achievement motive* - internal driving force for success, performance and the achievement of the objectives set before ourselves, raising and exceeding them constantly. People who are motivated by the performance are not driven by the reward but the success itself and by the desire for greater efficiency. They avoid both the too high and the too low-risk situations, since when the risk is too high, the success may also be due to luck, and when there is a too low level of risk, the achievement of the objective is not a success. They prefer functions, which may entail personal liability, where they receive regular feedback about their performance and may carry out challenging tasks. When the task is difficult, the goal is more attractive; however, if the probability of success is great, the attraction is reduced. The opposite behaviour of the performance-oriented behaviour is failure-avoidance. These people are uncertain of themselves or anxious. They like working in a job, which does not entail high challenge to them and success can be taken for granted.
- *Power motive* - the desire to have an impact and influence on others and our environment. The power source can be formal and informal, and according to its purpose, personal and organisational. The personal power is realised in an aggressive behaviour, in efforts to increase its own importance, whereas the organisational power is considered to be the kind when someone seeks to coordinate the efforts of others, in order to achieve organisational objectives. The persons with strong power motive

prefer competing situations, seek to provoke strong emotions in others; status, prestige and respect are important to them. For them, exercising influence over others is of greater importance than the performance itself. At least a mid-level of power motive is a necessary condition of becoming a good leader.

One of the significant statements of the theory is that challenging tasks should be assigned to performance-oriented people; it is advisable to offer the management of others for the highly power-motivated employees, while those who have a strong association motive can perform the best in jobs where there is opportunity for social interactions.

Since these are learned motives, the needs discussed in theory show different characteristics in different societies or at different phases of the socialisation, and they characterise individuals in a very different way. The learned needs, however, can be developed, the intensity of certain motives can be enhanced by education and training.

13.3 PROCESS-THEORY MODELS ^{[1][4]}

The common feature of process-theory models is that they focus on the processes, during which the motivation arises. The knowledge of the theories completes the content-theory knowledge and improves the efficiency of its application. Since, in vain are clear the objectives of the organisation and of its members, the efforts and the performance, as well as the reward for them are perceived in different ways during the same workflow.

The process-theories examine the individual objectives, efforts, performance and the outcome elements thereof, and seek the traceable relations and correlations between them.

13.3.1 Expectancy-theory model

The process-theory model proposed by Vroom explains the motivation of the employees as depending on the rewards they can achieve with their behaviour. The model is built on the assumption that in order to have economic benefits, people make rational decisions. This is the behaviourist approach of motivation. This model considers the interaction between the employees of the organisational and their environment in its complexity.

The intensity of the psychological compulsion, which triggers the effort, is created depending on the quality and value of the future expectations and results. In other terms, our motivation depends on how much we trust that our efforts will lead to the desired result, and how attractive to us the reward to be received for the result. On the basis of

this, the motivational force can be deduced from the future expectations and the value of the outcome.

The equation of the motivation: $p(E-P) * p(P-I) * V = MF$, where E=effort, P=performance, I= instrumentality, V= valence, MF= motivational force; or Expectancy*Instrumentality*Valence=Motivational Force. One of the elements of the equation is the value of the effort/performance relation $[p(E-P)]$, which estimates what result can be expected from the effort put in the action, what performance is possibly expected to be achieved. This depends on the estimated difficulty of the task and the chances of success. Another element of the equation is the value of the performance/instrumentality relation $p(P-I)]$, which estimates the probability of a given outcome to follow a given performance. It makes an estimation of what are our chances to achieve the result we want by a given performance. The third element of the equation, the valence (V) shows the value of the outcome in the decision-maker's value system. It is difficult to determine, since it arises from the individual's unique value system. Its value can also be modified by how long ago we got the same compensation; therefore, it can be decreased or increased as a function of time. The probability indicators may have a value between 0 and 1, and the valence can be measured by using a scale. The scale moves between minus 1 and plus 1 depending on the fact whether the outcome is not attractive at all or very attractive in the eye of the assessing individual. If we multiply the three values of the equation, we will get the estimated value of the motivation force of an action.

It is an important lesson for the management that the employees should be aware of the clear relation between effort and performance. Therefore, their task is to ensure the conditions under which the effort can lead, indeed, to the desired level of performance. The incentive system should be stable and predictable, and should offer rewards, which are valuable for the employees, too, and thus can be an important recognition. The higher is the value of the individual elements, the higher performance can be achieved.

13.3.2 Equity-theory model

According to the equity-theory it is not enough for us to know that an objective is attractive, we also have to know if it is attractive enough compared to our efforts to be made. Since the sense of justice, the perceived equality increases our willingness to make efforts. The theory affirms that people keep watching their environment, the situation in which their work is carried out and seek the answer to the question if the equality occurs at work.

According to the theory, equity is the ratio perceived between our efforts invested in the work and the outcome thereof. People compare continuously the energy they have invested and the rewards received for it with the input-output ratio of others. The person, whom the comparison is carried out with, is called a reference person. If the input-output ratio of the reference person is the same as the employee's input-output ratio, the latter will consider the situation as fair. So, behind the theory there is the habit of monitoring the equity of the recognition of our efforts and performance compared to others'.

The theory applies to the individual: the individual's efforts is compared with the individual's reward, and skips the most important factor for the organisation, the performance. In this, the following three factors play a key role:

- *Input* – efforts invested in the work: expertise, ability, experience, labour time, anything that is required to perform the task.
- *Output* - the results obtained in exchange for our efforts: payment, recognition, opportunity for development, promotion, etc.
- *Reference* - in relation to which our input-output ratio is determined.

It is important to emphasise that both the perceived equity and the perceived inequity come from the comparison of the input-output ratios. If someone having made more effort and more sacrifice than the others obtains more recognition and reward than the reference persons, we do not look upon the situation as a problem, and we do not consider it unfair according to the theory.

If the person detects inequity in regard of either himself or the reference person, the following can be done in order to end the situation:

- changing the input (less or more effort);
- changing the value of the outputs (the decrease or increase of the value of the reward received for the effort);
- revision (more objective perception) of own input-output ratio;
- revision (more objective perception) of the reference input-output ratio;
- quitting the situation;
- changing the reference person.

The endeavour for equity and balance has a motivational force. The important message of model to the leaders, who intend to motivate their subordinates, is that not only the absolute scale or value of the rewards matters, but their relative scale compared to the others, as well.

13.3.3 Reinforcement theory

Skinner's basic idea is that behaviour is the consequence of environmental effects. In fact, he did not even deal with the causes of behaviour, so his theory cannot be considered to be a motivation theory in the classical sense of the word. Skinner was interested in the status after the activity has been completed, since the reinforcement follows the desired behaviour only later.

He a distinction between positive and negative reinforcement depending on the influence on and the regulation of the actions, but punishment and its termination also have a modifying effect on the behaviour.

- *Positive reinforcement* - positive consequence is attached to the act, and we expect from this that the behaviour recurs in the future, the acting person will be more likely to follow this behaviour. If an activity is rewarded, the employee understands our appreciation, so the specific task will be carried out with enthusiasm in the future. Problem may arise if the employee gets accustomed to the reward or if there is no clear connection between the rewarded behaviour and the reward, or if there is too much time between the act to be rewarded and its reinforcement.
- *Negative reinforcement* – some sort of undesirable consequence, which the employee would want to avoid. We eliminate a consequence, which is unpleasant to the employee, strengthening thereby a behaviour, which we want to achieve. The disadvantage is that it may go together with constant tension and it may not always help the formation of the behaviour the leader prefers.
- *Punishment* – does away with the behaviour, which entailed the assignment of it. It is connected with the action as a negative consequence. We expect the person affected by the punishment not to repeat the activity, which entailed the punishment. It is worth to avoid the application of a punishment as long as possible, as their effect is unpredictable, it may make the opposite outcome. Punishment creates a climate of fear and distrust, which leads to hide away the problems.
- *Termination, extinction* - non-reinforcement, termination of the consequences to the action of which the behaviour is repeated regularly. The terminated consequence may be either negative or positive. The possibilities of this technique are quite limited in an organisational environment. An unwanted act may be terminated the ost easily if we do not react to it, thereby loses its significance.

The empirical studies have shown that the complexity of the situations in an organisational environment does not easily allow connecting directly a specific behaviour to its consequences. Yet, today's leadership practice moves mostly towards the positive reinforcement.

13.3.4 Objective-theory model

The objective-theory takes as a starting point what the employee thinks and what he/she wants to achieve, and it says that the difficult goals set out will incite for greater performance. According to the theory performance arises from the intention to act, and the intention of action is triggered by the intention to achieve the objectives. And finally, the intention to act leads to actions. If we understand and accept the goals, we will be willing to make greater effort in order to achieve them.

The quality of the objectives and the process of their presentation affect the performance. The more complex, the more difficult, the more complicated the objectives are, the greater results they will incite. This is, however, shall be valid only as long as the difficulty of the objectives does not exceed individual abilities or the organisational limits. However, the specifically and concretely defined objectives can also increase performance, since people can be more targeted if they know exactly what to do, and their purposefulness enables them to carry out work more efficiently. In contrast, general objectives only make people uncertain.

The base of the theory is that the objective set to the employees must be formulated by the leader. The involvement of the employees has only a performance-enhancing effect when the quality and the accuracy of the objective are increased thereby. Substantive participation increases the liability and the commitment for the achievement of the goals, however, if it is only a formal cooperation, the employees involved cannot really collaborate, and this may cause discontent.

Regular feedback helps the successful implementation of the objectives; the communication of partial performance maintains the intention of action. Without feedback the aim is easy to disappear from the sight of the employees, they will not be induced to maintain or to continue the action.

The theory can be well applied in simpler jobs but its possibilities are limited in the case of jobs where it is difficult to measure the performance. The setting of the objective there is often to lead to games, in which the employees endeavour to set goals as low as possible, in order to be able to achieve a higher level of performance with less effort. But the achievement of goals may become a passion, which may carry us away so much that we tend to forget about other important tasks.

The most important message of the theory for managers is that well-defined, challenging objectives, set to a specific job or task, have much motivational force. The management must pay attention in particular to the acceptance of the objectives, their implementation requires their continuous monitoring and their support.

13.4 INCREASING THE MOTIVATION OF ORGANISATIONAL MEMBERS [4]

In this subchapter we will describe the complexity of the three most important tools used to increase the motivation of the employees, giving reward, setting objectives, and the process of defining a job.

- *Reward* - in the motivation process, there are internal or intrinsic and external or extrinsic rewards. Our behaviour is motivated internally if we carry out our work with affinity, and we feel like doing the task with pleasure. This is in itself rewarding, because we feel that we ourselves have set out the action. In contrast, there is external motivation, if the behaviour is impelled by external rewards and punishments. The management may primarily have recourse to the means of the latter within the framework of the remuneration incentive system. When awards are distributed, it is important to provide valuable benefits for the individual and to clearly connect them to the performance.
- *Objective* - we can also increase the organisation's performance, if we create the consistency between the employee's (individual) goals and the organisational ones. We are willing to do more effort for the goals, if the organisation's goals go to the same direction as ours. To do this, the management is to set clearly and distinctly defined and challenging goals, which are accepted by the employees. The goal system may have contradictions. In the vent of this the goal must be designated, which will be implemented despite the contradictions.
- *Job modification* – the smaller subtasks a job is split into, the easier it is to do it. Although the method improves the productivity, it leads to monotony and loss of motivation after a while. To compensate the dissatisfaction of the employees, job modification is a suitable tool, which can be done in more than one way. Supplementing the basic activity with additional activities the variation of the job can be increased; this is called job enlargement. Another option, if the employee is occasionally transferred into a different job but on the same level. During the rotation, the jobs remain unchanged. Whereas, the extension of a

job aims to increase the depth of the job. In this case, the job is supplemented with activities which have motivational effects. Job enlargement offers solutions, in which the job content and importance, the diversity of the required skills, the level of autonomy and the degree of feedback are designed to motivate the employees to a maximum.

13.5 PERFORMANCE ASSESSMENT ^[1]

After the work is carried out, the tasks and objectives are achieved, after the performance we have achieved, we receive the rewards, which we find valuable and fair. To do this, however, our performance needs to be measured and assessed. This can be done on individual, group or organisational level.

Performance is a variable made up by qualitative and quantitative elements related to the accomplishment of tasks set by the organisation. Performance assessment means to evaluate the efforts and achievements taking into account the criteria determined by the organisation, which is only possible if the fundamental understanding of the organisational goals is ensured.

The performance assessment can serve two purposes; on one hand, it wants to assess and qualify the results obtained; on the other hand, seeks to develop or to change the behaviour giving the performance which has been assessed. The comparison of the differences between the two objectives can be seen in the following table.

	Assessment	Development
Time orientation	past performance	future performance
Goal	to improve the performance by changing the attitude with the help of the remuneration system	to improve the performance by learning and personal development
Method	assessment scales, comparison, application of frequency-distribution	advisory, developing mutual trust, goal setting, career planning
Direct leader's role	evaluator judge	supporting advisor and encouraging person, who listens, helps and guides
Employee's role	listens, reacts, tries to explain and defend his past performance	active participant of the planning of future performance

84. *Figure: Comparison of the assessment and the development-oriented performance assessment (Sources: Bakacsi 2004)*

In addition to these overall objectives, performance assessment may serve other purposes, such as:

- to improve the performance;
- to provide feedback to employees concerning their work;
- to increase motivation;
- to formulate training needs;
- to discover the potential capabilities in employees;
- to convey the organisational expectations toward individuals;
- a career planning tool;
- wages, income determination;
- to explore issues related to work. ^[3]

In order to ensure that the performance assessment systems serve the achievement of the objectives here above, they are to meet a few fundamental requirements, which are given in the following list:

- Clearly-defined performance criteria; the evaluation is based on these standards and expectations.
- to avoid systematically the performance expressed in figures and percentage;
- full evaluation of the job, taking all the essential into consideration;
- active participation of the person being evaluated in both the process of standard setting and the assessment;
- adequate training of assessors;
- to formulate quality requirements.

Performance assessment is important not only for the organisation, but the employees welcome it as well, because it gives a feedback of the results of their own work. The management confirms, encourages, supports the intentions to enhance the performance in the future, and they can also give information about the employees future career. ^[3]

13.6 TEST YOUR KNOWLEDGE

1. True or false?

One of the elements in Maslow's hierarchy is the relatedness need.

.....

2. What are the hygiene factors in Herzberg's two-factor model?

.....

.....

.....

3. True or false?

The expectancy-theory model is related to McClelland's name.

.....

4. Comparison of the evaluation-oriented and the development-oriented performance assessments /more than one answer may be correct/

A. A supporter/advisory person has a direct leadership role in the evaluation.

B. The role of the subordinate in the development is to protect his/her performance in the past.

C. In the development it is always the past performance which is taken into consideration.

D. In the evaluation the career planning is one of the most important methods.

E. In the development we try to improve the performance by changing the behaviour.

5. What does V (Valence) refer to in the equitation of the motivational force?

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.....

6. Describe Skinner's reinforcement theory /Essay/

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.....
.....

7. True or false?

According to the objective-theory model performance comes from the intention to act.

.....

8. True or false?

The motivation of the members of the organisation can be increased by setting goals, which are the intrinsic and the extrinsic objectives.

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